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Investment Banking Revisited

PAUL M. SWEEZY

Debt Peonage: The Highest Form of Imperialism?

BRUCE FRANKLIN

Somocistas On Trial

JOSEPH K. SKINNER

The Dominican Model

J. THOMAS

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NOTES FROM THE EDITORS

We are pleased to report that the MR Associates annual appeal has generated an increase of 12 percent in members and 20 percent in contributions during the five-month period ending in January 1982, as compared with the similar period in 1981. While this is good news our pressing financial difficulties continue. If you haven't as yet joined or renewed your membership, we hope you will do so soon.

Among the many letters we received from readers in response to the Associates appeal, the following from a long-time Associate was especially heartwarming: "The last sentence inside the back cover had an ominous tone: 'If our readers do not respond to this appeal as *never before* (my emphasis) there is a strong possibility that MR will soon be part of the history rather than the future of the American left. . . .' Last month I sent in $55 to move from Supporting to Sustaining Associate. Not good enough! — even though I'm on social security. So, enclosed is $45 to move to the rarefied atmosphere of Foundation Associate. May I invite other Associates to do the same?"

(continued on inside back cover)

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INVESTMENT BANKING REVISITED

By Paul M. Sweezy

On re-reading the article "The Decline of the Investment Banker" which I contributed to volume 1, number 1 of the *Antioch Review* (Spring 1941), I can see that I took for granted a considerable knowledge on the part of the reader of the financial history of the United States in the late nineteenth and early twentieth centuries. That was perhaps justified at the time, but I doubt that it would be today. The Great Depression was still fresh in the minds of all readers of the *Review*'s first issue, and the financial upheavals of the period had been personally experienced by many of them. Forty-one years later, however, what happened before the Second World War must seem, especially to younger people, like ancient history, of little general interest or relevance. An updated commentary on the subject of that earlier article therefore calls for an historical introduction.

The nineteenth century, by and large, was what Thorstein Veblen, the greatest social scientist this country has produced, called "The Era of Free Competition." * His characterization

Written for the fortieth anniversary issue of *The Antioch Review* (Box 148, Yellow Springs, OH 45387), published quarterly, annual subscriptions: $12 for individuals. Reprinted here by permission.

* This is the title of Chapter 4 of Veblen's sadly neglected masterpiece, *Absentee Ownership and Business Enterprise in Recent Times: The Case of America*, New York, 1923.

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of the economy of the period is worth quoting at some length, if only to highlight the enormous difference which separates it from the economic reality of our time:

> [D]uring the earlier decades that followed the Industrial Revolution the new mechanical industries were habitually conducted on a relatively small scale on a basis of self-ownership, with credit relations playing a subsidiary and essentially transient part, and by owners who exercised a personal supervision of the works from day to day and dealt with their hired workmen on something of a personal footing. In the typical case, the organization and management had, on the whole, a good deal of an air of personal contact and personal understandings, both in its business transactions and in its direction of the work in hand. The business concern, which in the typical case was the same as the industrial manager, would commonly consist of a single man, with more or less workmanlike knowledge and experience, such as would make him a reasonably competent foreman of the works; or it was a private firm, in the nature of a partnership which included such a person. From this type-form there were many departures in practice, transiently or permanently. But through it all ran a visible presumption of self-help, personal initiative, and avoidance of debt. Aside from book accounts, the credit relations of this typical industrial concern would be slight and presumptively ephemeral. (*Absentee Ownership*, p. 80)

Enterprises of this sort were obviously small and lacked the power to control their markets, and under these conditions the way to succeed, i.e., to increase profits and add to one's capital, was through reducing costs of production and underselling one's competitors—or, as Veblen put it, through "rapaciously thrifty cost of production of an increased volume of output to be sold in a virtually unlimited market, at competitive prices, that were made profitable by low cost." (p. 73) But this headlong competitive race obviously couldn't go on forever. Weaker entrants were driven out or in some cases taken over by their stronger rivals, and the latter grew in industry after industry to the point where more sophisticated competitive strategies were called for. This lesson, of course, was not learned all at once, and there was a period of two decades or so toward the end of the nineteenth century when the struggle between the survivors of the earlier phase of free competition threatened to get altogether out of hand. An etymological inquiry would doubtless

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show that the pejorative expression "cut-throat competition" dates from this period. Prices were slashed left and right: the wholesale price index (1823 = 100) plunged from 139 in 1873 to 74 in 1898. To be sure, this was also a period of rapid technological advance and increased labor productivity which doubtless accounted for much of the price decline. But fierce competition often drove prices down to or below the cost of production, giving rise to nearly universal complaints of economic crisis and unrelieved depression. From the point of view of physical output it was a period of relatively rapid growth, but it was also characterized by high unemployment and declining profit rates. Clearly from the business point of view the situation called for drastic remedial action. It was this that set the stage for the dramatic rise of the investment banker.

This is not to imply that the investment banker first appeared on the scene at this time. The function of the investment banker is to float new securities (bonds and stocks) for governments and corporations. At a time when raising capital in this way was still uncommon, there was no need for specialists and the function was carried out mainly by merchant bankers whose primary business was financing long-distance trade. The emergence of investment banking as a distinct occupation may be said to date from the Civil War when the federal government had to raise large amounts of money to sustain the war effort. J.P. Morgan who was associated with a merchant banking house engaged in financing trade with England expanded his activities into selling supplies to the military and floating bonds for the treasury, amassing a large fortune in the process. After the war he moved into railroad financing, a new arena which turned out to be the seed bed and breeding ground of the entire system of corporate business with its attendant activities and institutions (corporation finance and law, stock exchanges, brokerage houses, statistical services, and of course new and refined forms of speculation and swindling). As early as 1874 the Pennsylvania Railroad, one of the country's largest corporations for the better part of a century, had assets of close to $400 million (at least $2 billion of today's purchasing power), many thousands of stockholders, and most of the typical organizational and managerial prob-

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lems of the giant corporation as we know it today. By the 1890s when the country's railroad network was approaching completion, investment banking was a highly developed business which was beginning to look around for new fields to conquer.*

It was at just this juncture that the U.S. economy, wracked by uncontrolled competition, fell into the state depicted above. Frantic efforts were made in industry after industry to secure relief through collusive agreements of every kind and description, but most broke down for lack of effective sanctions, and many were successfully attacked as illegal restraints of trade. Corporate lawyers, aided and abetted by pliant state legislatures, sought new remedies, first and foremost in the device of the voting trust, in accordance with which stockholders of competing companies would deposit their shares with trustees empowered to exercise the vote and thereby bring all the companies so entangled into a legally binding combination (hence the term "trust" in all its popular usages, most enduring of which is doubtless "trust-busting"). But this too ran afoul of the law (the populist movement was near the peak of its power in the 1890s), and forced the legal fraternity to more creative efforts. The upshot was the invention or, more accurately, the perfection of the holding company, a corporation specifically designed and empowered to acquire majority stockholdings in other corporations, thus bringing the whole group under effectual control of a single management. But the holding company, unlike other forms of combination like the pool or voting trust, usually required the floating of new securities to finance the buying up of the shares of the underlying corporations. And it was precisely this that the investment bankers were ready and able to handle. Even more, it was the new field of activity they needed to make up for the lagging of their railroad business. Their role was not particularly original or innovative, but it turned out to be decisive. As Veblen put it, "The late J. Pierpont Morgan saw an opportunity and turned it to

* The biographer of Jacob Schiff (head of Kuhn Loeb, second only to the House of Morgan among the country's early investment bankers) quotes a letter written in the 1890s by Schiff to a European correspondent commenting on the novelty of floating industrial securities and in effect wondering if this new area of business might not be prohibitively risky.

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account." (*Absentee Ownership*, p. 334) The upshot, to quote Veblen further, was a basic change in the U.S. economy:

> Out of this drift of things the "Investment Banker" has emerged, to serve as a powerful instrumental factor in working out the new alignment of ownership and industrial business, and presently to take his place as one of the essential workday institutions of the business community. . . . Investment-banking as it is conducted now, owes its rise and character to the circumstances of that time, and it has continued to work out along much the same lines to which it was then brought by the experience of Morgan and his associates. (*ibid.*, pp. 339, 341)

It is important to understand that the flotation of securities, while the foundation of the investment-banking enterprise, does not by itself account for the power acquired by the fraternity in the special circumstances of the 1890s and 1900s. Two further factors were of crucial importance. First, those who urgently needed the services of investment bankers at the time were for the most part in a weakened and defensive position and hence wielded minimum bargaining power. Second, the corporations whose securities were being floated in such unprecedented quantities were in large measure *new* entities and hence an enormously rich source of a form of income which came into existence only with the spread of the publicly held corporation. Veblen called this new source of income "bonuses," which does not properly capture its nature. More accurate was the term coined by Veblen's Austro-Marxist contemporary Rudolf Hilferding whose 1909 book *Das Finanzkapital* marked a landmark in the development of Marxian political economy. Hilferding spoke of "promoter's profit" (*Gründergewinn*) and correctly identified it as an economic category *sui generis*. The origin of promoter's profit is the difference between the value of the assets of a firm about to "go public" and the value (present and/or prospective) of the securities which investors can be induced to pay for the securities which are based upon and represent these underlying assets. For a variety of reasons—most generally what Veblen called the "larger use of credit" which typically accompanied and facilitated the issuance of securities—the proceeds of the sale of the securities exceeded the value of the underlying assets by a very substantial margin.

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A share of this promoter's profit might go to the owners of the underlying assets, depending on their bargaining power, with the remainder accruing to the sellers of the securities. In the circumstances of the period in question, the whip hand was usually held by the sellers, i.e., the investment bankers, who were thus enabled to rake in by far the lion's share of the swag. This was the source of many of the great financial fortunes dating from that time. The prototypical example, much cited in both popular literature and textbooks, was the case of the United States Steel Corporation, one of the most comprehensive combinations engineered by the House of Morgan which in this operation kept for itself a block of newly issued securities with a face value of $50 million. A somewhat exceptional feature of the U.S. Steel case stemmed from the fact that the largest component of the combination was contributed by Andrew Carnegie, whose company was both very profitable and indispensable to the success of the enterprise. Being in a strong bargaining position, Carnegie, unlike many of the embattled industrialists of the time, was able not only to realize the value of the assets of his company but also to appropriate a large chunk of the promoter's profit. The far-flung philanthropies bearing the name of Carnegie date from this highly successful coup.

In the early stages of their development the new corporate combinations midwived by the investment bankers tended to be somewhat ramshackle affairs, riven by internal rivalries and overburdened by heavy capitalizations which could be justified only by increased future earning power. In these circumstances they usually remained closely tied to their financial sponsors who could raise needed new capital and at the same time had the power to mediate conflicts and knock heads together.

It would take us too far afield to explore the ramifications of the power of the investment bankers, but it is pertinent to note that by the turn of the century most of them had spread their tentacles into the areas of commercial banking and other types of financial institutions such as life insurance, thus increasing their influence over capital-using corporations and giving substance to the popular notion that the country was under the sway of a "money trust."

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In the nature of the case, however, this was essentially a transitory situation; and from the point of view of our present interest, it is important to understand why. As argued above, the opportunity of which the investment bankers availed themselves to reach the top of the economic hierarchy, arose from the widespread distress which unbridled competition had visited on the nation's rapidly expanding manufacturing industries. The services for which these captains of finance were so richly rewarded centered on bringing these chaotic conditions under some sort of effective control—one industry at a time of course and not at all in keeping with any overall design. It was thus the great achievement of the investment bankers to bring the era of free competition to a timely end and to substitute not exactly a new era of monopoly but at least an era of what economists later on came to call oligopoly or monopolistic competition, a state of affairs which permitted and indeed encouraged upward price flexibility but which sternly frowned on price-cutting as a weapon of competitive advantage.

But in one sense the investment bankers accomplished more than they bargained for. As already noted, their power over the newly created corporate combinations actually increased at first. But as these fledgling giants matured and prospered in the more benign business atmosphere of the early twentieth century, they soon outgrew their initial weaknesses and established the foundations for an independent existence free of the tutelage of their promoters and financial sponsors. The issuance of securities with a face value far in excess of the value of the underlying assets which went to make up these combinations, was of course predicated on this outcome; and, as Veblen put it, "with a fair degree of generality this inflation of the capital-values and their assets has proved to be sound; in the sense that the inflated corporations have presently, if not from the outset, approached or reached such an earning-capacity as to justify their inflated capitalization. The assets so created by a transaction in credit have proved to be sound assets, good property." (*ibid.*, pp. 347-48)

Once launched on an enduringly profitable course, the large corporations which emerged from the strain and stress of the 1880s and 1890s increasingly found themselves in a highly

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favorable financial situation, able not only to pay interest and dividends on their outstanding securities but also to cover their pressing investment needs out of retained earnings. This is not to say that they no longer had occasion to tap the capital markets with the help, and to the profit, of their investment-banking allies. But it does mean that as between the two parties, bargaining strength gradually shifted away from the bankers and in favor of the corporations. Veblen who so clearly understood the dominant role of the investment bankers in the transition from the era of free competition to what he called "The New Order," also perceived the changing balance of power between corporate and finance capital which was taking place when he wrote *Absentee Ownership* in the years immediately after the First World War. Speculating on the trend of events in the period ahead, he foresaw as one possibility that finance would retain the upper hand, adding: "In any case, the dominant position of this community of 'investment-bankers,' moving in concert under the steady surveillance of the Federal Reserve, will exercise an influence...and will greatly affect the outcome." (p. 226) But more interesting in the context of the work as a whole is an alternative scenario which puts the matter in a rather different light:

> At the same time it is conceivable that the vested interests which own and control the main natural resources and the key industries may take the lead, with the support of the banking community. Ownership of these tangible assets that underlie the country's industrial system, the underlying material resources and equipment, will enable these corporate interests to draw together on a concerted plan of common action and set the pace for the country's industry as a whole by limiting output and service to such a rate and volume as will best serve their own collective net gain. In so doing they will be in a position progressively to draw the industrial system as a whole in under their own absentee ownership, without material reservation, at least to the extent of coming in for the effectual usufruct of the whole—somewhat after the fashion in which the packers, millers, and railways now enjoy the usufruct of the farming community in the Middle West, but with a stricter authority. In this connection it is to be recalled that there is already a far-reaching identity both of personnel and of corporate interests between the group of corporations who control the key industries on the one side and the banking com-

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munity on the other, and this coalescence or consolidation of the masters of tangible assets with the masters of credit and solvency is visibly on the increase. So that what should be looked for is quite as likely to be an effectual coalescence and concert of these two powers, the bankers and the key industries, rather than the dominance of either one against the other. (pp. 226-27)

In retrospect this second diagnosis of the case turns out to have been substantially accurate. True, the investment bankers prospered through the decade of the 1920s, engineering a new merger wave among the railroads, carrying the holding-company concept to dizzying extremes in the hitherto neglected field of public utilities, and promoting combinations of a familiar sort in areas of the economy like food-processing, retailing, and entertainment. Moreover, relationships between investment bankers and industrialists (e.g., between the House of Morgan and such corporate giants as U.S. Steel, General Electric, and A.T.&T.) remained much as they had been when they were first established so long as domineering figures like J.P. Morgan and his early partners were still active. At the time, the 1920s may have seemed like the heyday of the investment banker, but in fact they were more like the last hurrah. The Great Depression had a shattering effect on the entire economy, most spectacularly on the financial community. Investment banking was a special victim. Not only did its business go into a tailspin, but its prominence and the many scandals which surfaced in the wake of the stock-market crash made it the focus of a sensational Congressional investigation which in turn set the stage for some of the New Deal's most publicized reforms. The era of transition from the small-scale entrepreneurial economy of the nineteenth century to the large-scale corporate economy of the twentieth was over and done with, and the investment banker who had starred in this high business drama now had to accept demotion to a quite modest supporting role.

This was the subject of the article I contributed to the *Antioch Review*'s first issue, under the title "The Decline of the Investment Banker." Its emphasis was of course on the events of the Great Depression decade—the drop in new-securities business, the increase in the share of what was left going to life

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insurance companies through the mechanism known as "private placement," the separation of investment from commercial banking mandated by the Securities Act of 1933, and the growing role of the state (at the time mainly through the Reconstruction Finance Corporation) in providing emergency finance to troubled corporations. All of these developments were treated not as causes but rather as contributors to and symptoms of the changing role of the investment banker.

What could not then be foreseen was that after the war capitalism would enjoy a new lease on life, and that the United States would emerge from the conflict as the new hegemonic power enjoying a position in the world system comparable to that held by Great Britain a century earlier. The question was therefore not broached, let alone answered, as to what effect a long period of renewed capitalist prosperity might have on the fortunes of the country's investment bankers. Now, however, as we enter what appears to be a new capitalist time of troubles, in some ways reminiscent of the 1930s, we not only can pose the question, we can also draw on a quarter century of experience to sketch the answer.

In the first place, it seems that the term "decline" as applied to investment banking, while appropriate enough in the 1930s, hardly describes what has happened in the postwar period. There has been a great deal of merger activity in investment banking, as in other areas of the economy, but most of the important houses have survived in one form or another, as can be readily confirmed by perusing one or more "tombstone" advertisements which investment banking syndicates place in the financial media to record a flotation of securities and to list the participating members of the syndicate (see, e.g., the ad in the *New York Times* business section of January 12, 1981, recording the sale of $300,000,000 of Conoco debentures). And a fair number of new houses have entered the field in recent years, indicating that there has been no shortage of profitable business for those engaged in this type of financial activity.

But if investment banking has not declined as a money-making occupation, neither has it regained any of its old aura as the aristocracy of the business world. Nowadays a corporation calls on the services of an investment banker when it wants

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to sell new securities or when it is planning to acquire or merge with another corporation. The investment banker offers expertise in deciding the kind and price of securities to be issued, takes part in syndicates formed to market the securities, and acts as an adviser or in many cases as a direct negotiator in setting up the terms of an acquisition or merger. For all these services the investment banker is well paid, but providing them rarely if ever carries with it a lasting position of influence, let alone control, over the client corporations. There is a great deal of active competition among investment bankers—much more than there used to be in the days when a few giants like J.P. Morgan and Jacob Schiff ruled the roost—and no solvent corporation needs to worry about finding someone to act on its behalf. The upshot is that investment banking houses today play a role very similar to that of the large firms practicing corporate law or providing auditing services. All three are crucial, indeed indispensable, to the smooth functioning of the corporate system as it has evolved during the last century. But none of them holds a privileged position vis-à-vis their corporate clients in any way comparable to that held by the investment bankers at the turn of the century or even in the 1920s. In that sense one can speak of decline; but most of it had taken place before the Second World War, and since then there has been little qualitative change.

This of course refers to only one aspect of the investment banking situation, i.e., the character of relations with corporate clients. In other respects significant changes have taken place, related to the vast growth of the financial sector of the overall U.S. economy in the post-Second World War period. The *relative* weight of investment banks in the financial community has clearly declined, and there seems to be a strong tendency for investment-banking functions to be merged into what may be called financial conglomerates, by analogy with the wave of industrial conglomeration which has been such a prominent feature of the economic development of the last two decades. In this respect the example of Merrill Lynch, by far the country's largest brokerage house, can be considered as symptomatic even if hardly typical. Starting off in the brokerage business, Merrill Lynch has branched out, through inter-

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nal accumulation and external acquisitions, into a variety of financial activities, including some which are hardly distinguishable from regular commercial banking.* Among the acquisitions was White Weld, a long-established investment banking house, which has helped lift Merrill Lynch into the upper echelon of the investment banking community. But investment banking, while important for a firm striving to offer a full range of financial services, is and will probably remain a small factor in its earning potential. According to a story in the *New York Times* of December 12, 1980, the sources of Merrill Lynch's revenues in 1979 ranked as follows: interest, 37 percent; commissions, 31 percent; principal transactions (to which Merrill Lynch is itself a party), 14 percent; investment banking, 8 percent; real estate and other, 6 percent; insurance, 4 percent.

This pattern is of course of relatively recent origin and is still in a state of flux. Moreover, with the present trend toward liberalizing federal and state banking laws, there is a possibility that the structure of the financial community will undergo even more drastic changes in the period ahead (e.g., through the legalization of nation-wide branch banking). But all this far transcends the subject of investment banking and calls for a much deeper study of the financial history of postwar capitalism, both in the United States and on a world scale, than has yet been attempted.

POSTSCRIPT

The year that has passed since the foregoing was written has been a good one for investment banking, especially in the area of mergers and acquisitions. Deals involving assets of a billion dollars or more have continued to make headlines, in-

* Merrill Lynch was the first to offer what is called a Cash Management Account (CMA) which in practice differs little from an interest-bearing checking account with generous overdraft privileges -- so little in fact that some banks, claiming a violation of banking laws, sued to have the CMA declared illegal. Abroad, however, there are no such obstacles to Merrill Lynch owning banks, and it already does so in London and Panama.

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cluding the two largest ever—DuPont's takeover of Conoco and U.S. Steel's of Marathon Oil—and in many of these transactions two or more bidders for the acquired company were involved, each represented by at least one and often two investment banking firms. In the Conoco case, for example, three suitor companies were involved (DuPont, Mobil, and Seagram) and five investment bankers (Morgan Stanley, Merrill Lynch, First Boston, Shearson Loeb Rhodes, and Lazard Freres). The total amount offered by the three suitors came to just over $20 billion, and the investment bankers collected fees adding up to more than $75 million. DuPont won the contest with a bid of $7.5 billion, and its two investment bankers (First Boston and Morgan Stanley) collected fees totalling $29 million. (Facts and figures are compiled from published reports in the financial press.) In addition to these huge billion-dollar-plus deals, dozens of smaller transactions have been reported, with the smaller ones usually involving proportionately higher fees.

Against this background it is no surprise to read in a feature story in the financial section of the *New York Times* of February 7th, headlined "The National Bank of Merrill Lynch," that in 1981 investment banking accounted for 8.6 percent of the firm's revenues, up from the 8 percent cited above for 1979. Incidentally, the very title of the *Times* story reflects the changes under way in the nation's financial institutions alluded to in the last paragraph of the original text: until very recently it would never have occurred to a financial writer to refer to Merrill Lynch as a "national bank."

Within the investment banking community itself there has been a marked tendency toward greater concentration which proceeded apace during the past year. For all practical purposes the field is now dominated by some half dozen of the largest firms: Morgan Stanley, Lehman Brothers Kuhn Loeb, Merrill Lynch White Weld, First Boston, Goldman Sachs, Solomon Brothers, Lazard Freres, with another half dozen or so in the second rank. These are the firms which control the bulk of the lucrative mergers and acquisitions business. Several dozen smaller houses, New York-based and regional, must for the most part be content with the more routine role of participating in the distribution of new security issues—stocks and

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bonds of corporations, bonds and notes of state and municipal governments.

Nothing has happened in the past year, or seems likely to happen in the years ahead, to call in question the main thesis advanced above, i.e., that investment banking has become a more and more specialized adjunct of the corporate system, similar to the big corporate law offices and auditing firms, and less and less a power center like the J. P. Morgans and the Kuhn Loebs during the formative period of the modern system of big business.

I fully admit and vehemently urge that the State at present is simply a huge machine for robbing and slave-driving the poor by brute force. You may, if you are a stupid or comfortably-off person, think that the policeman at the corner is the guardian of law and order. . . . But the primary function of the policeman, and that for which his other functions are only blinds, is to see that you do not lie down to sleep in this country without paying an idler for the privilege; that you do not taste bread until you have paid the idler's toll in the price of it; that you do not resist the starving blackleg who is dragging you down to his level for the idler's profit by offering to do your work for a starvation wage. Attempt any of these things, and you will be hauled off and tortured in the name of law and order, honesty, social equilibrium, safety of property and person, public duty, Christianity, morality, and what not, as a vagrant, a thief, and a rioter.

George Bernard Shaw

Wisdom from Unexpected Sources

The responsibility of our time is nothing less than a revolution, . . . peaceful if we are wise enough, humane if we care enough, successful if we are fortunate enough. But a revolution will come whether we will it or not. We can affect its character; we cannot alter its inevitability.

—Robert F. Kennedy to Peruvian students, quoted in Arthur M. Schlesinger, Jr., *Robert Kennedy and His Times*.

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DEBT PEONAGE: THE HIGHEST FORM OF IMPERIALISM?

By Bruce Franklin

The swelling debt owed by Third World nations has begun to frighten some sectors of international finance capital. Their own press paints scenes rivaling the latest horror movies from Hollywood. For example, the British banking journal *International Currency Review* warns of "a world-wide financial catastrophe": *"In plain English, the Third World faces a massive financing gap in 1981 (and beyond) which, if not met from official sources, must result in multiple defaults and a collapse of the West's banking system."*[1] Spokespersons for the biggest lending banks publish reassurances, arguing that "such fears are. . . rooted in misconceptions about how the existing system works," for the giant banks are merely performing on a global scale what "the bank branch on the corner does. . . every day."[2] This controversy within the ranks of finance capitalism provides some unexpectedly candid revelations about Third World debt, showing how it has been moving steadily toward the center of the latest mode of imperialism.

The most obvious features of Third World debt are its cancerous growth rate and awesome size. According to figures released in June 1981 by the Organization for Economic Cooperation and Development (OECD), the external debt of all "developing" countries had leaped from $87 billion in 1971 to $393 billion in 1979 and then again to $456 billion in 1980.[3]

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The capitalist literature blames this accelerating debt on the OPEC oil price increases of 1973-1974, which allegedly forced the oil-importing nations suddenly to pile up huge deficits in their current accounts as their own exports failed to keep pace with the soaring prices they had to pay for oil. We shall later take a closer look at this argument. Here we should note that the action of OPEC did not take place in a political vacuum, and that other events of the 1973-1975 period are inextricably intertwined with both OPEC's decision and the other forces manifest in the colossal debt of Third World nations. In fact, this 1973-1975 period marks a change in the international situation, and signals a transition in the history of the world revolution.

At the end of the Second World War most of the nations and peoples of the world were still out-and-out colonies and dependencies of Europe and the United States. Then began the epoch of national liberation. Between 1946 and 1949 alone, nations comprising about one fourth of the world's population won formal independence. In 1949 another quarter of the world's population achieved victory in the Chinese revolution. Between 1950 and 1963 national liberation movements and socialist revolutions stripped France of its colonies in Indochina and Africa, won national independence for Great Britain's vast sub-Saharan African empire, and established the first socialist nation in the Western Hemisphere. By the mid-1960s, two climactic anti-colonial struggles were raging: the national liberation movements of the Portuguese colonies in Africa and the Indochinese war against U.S. neocolonialism. These last two struggles have complex interrelations with post-1974 Third World indebtedness.

The major European colonial powers, along with Germany and Japan, were incorporated as junior partners in post-Second World War U.S. imperialism. As such, their giant corporations and banks were enabled to interpenetrate with the colossal multinational institutions central to international capitalism in the postwar period. As partners in the most up-to-date form of imperialism, Britain and France could afford to allow their dependencies to pass from being outright colonies (i.e., being owned both politically and economically) to

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become neocolonies (having their economies externally owned or controlled). But Portugal, a poor country without its own giant banks and corporations and lacking partnership in the multinationals, was incapable of moving to neocolonialism. For Portugal, it was either outright colonialism or nothing. Hence its ruthless decade-long fight to retain Angola, Mozambique, the Cape Verde Islands, Guinea-Bissau, Sâo Tomé and Príncipe as old-fashioned colonies.

At the opposite extreme, the United States incarnated the most up-to-date form of imperialism. Hence its own ideologues could sincerely believe that their own puppets represented a "free" and "democratic" alternative to archaic French colonialism. The U.S. wars against "South" Vietnam, Laos, and Kampuchea, unlike the colonial wars being fought simultaneously by the Portuguese in Africa, were waged ostensibly to *preserve* these nations' political independence. And although raw materials were one object, the main economic goal was less old-fashioned. Classical colonialism had looted the colonies of raw materials, processed them into manufactured goods in the ruling country, and then dumped the surplus manufactured articles into the colonial markets. U.S. neocolonialism by the mid-1960s was reversing part of this process, building textile, clothing, electronics, assembly, and even heavy industrial facilities in the Third World, and dumping many of these manufactured goods back into the American market. While U.S. industry sprang up in Saigon, "South" Vietnam, once one of the world's leading exporters of rice, was forced to import rice grown in Louisiana!

But to the national liberation movements of the Indochinese peoples and the peoples of the Portuguese colonies in Africa, such distinctions were irrelevant. And in 1973-1975, both late-model U.S. neocolonialism in Indochina and five-centuries-old Portuguese colonialism in Africa were demolished and towed off to the junkyard.

It was precisely on the eve of these key national liberation victories that the oil-exporting countries were able to band together in OPEC and, for the very first time in history, demonstrate that the Third World producers of a key raw material could successfully defy the economic hegemony of in-

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ternational imperialism. The new alignment of forces in the world was in the process of forcing the imperialist gang to change their *modus operandi*. The situation was thus perceived by Zbigniew Brzezinski, originator of the Trilateral Commission, which was established in 1973:

> 1973 was the year in which for the first time the new nations—the Afro-Asian nations, so to speak, inflicted a political reversal on the advanced world.... In some respects, if 1945 was the beginning of the existing international system, 1973 marked the beginning of its end and hopefully the beginning of its renovation and readjustment.[4]

Mr. Brzezinski seems to have forgotten the main events of the postwar era. Looking backward, we can see that the three decades from 1945 through 1975 were dominated by the national liberation movements of Third World peoples. Within that epoch, we also see the growth of the only force capable of actually defeating neocolonialism: revolutionary socialism, which by 1975 was predominant on the east Asian mainland, ascendant in Africa, and breaking out in the Western Hemisphere from that island beachhead 90 miles from the imperialist colossus. Although after 1975 a few pockets of colonialism still remained (the northern part of Ireland, Hongkong, Belize, Puerto Rico, Guam, the Virgin Islands, American Samoa, Diego Garcia, French Guiana, Bermuda, French Polynesia, Martinique and Guadeloupe, Namibia, and occupied Palestine), outright colonial rule was even more of a historical anachronism than feudalism. It was at this point, in the mid-1970s, that the debt owed by nations of the Third World began to play a crucial role.

The alarms sounded in the capitalist press about Third World debt call attention not just to its size and rate of growth, but also to the ever-increasing proportion of this debt owed to private creditors, as opposed to governments and international lending agencies. Between 1974 and 1979, while the debt of the nations classified by the World Bank as "developing" owed to foreign governments and international agencies more than doubled, the amount owed to private creditors more than tripled. By 1979 almost two thirds of the external debt of the

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"developing" countries was owed to private creditors, and this proportion seemed to be rising inexorably.[5]

The interest rates charged by private creditors are, of course, much higher than those charged by governments and the international lending agencies. This places enormous debt-service burdens on the borrowers. Thus while the private proportion of disbursed debt outstanding grew from 54 percent to 63 percent between 1974 and 1979, the private proportion of interest paid went from 72 percent to 79 percent, and the private proportion of total debt service went from 77 percent to a staggering 83 percent.[6] To the private lenders all this comes as an ocean of flowing capital.

The alarmists in the capitalist camp focus on the opposite side of the picture, the proportion of Third World debt included in the loan portfolios of the giant banks. An article in the *Wall Street Journal* (January 28, 1981)—ominously entitled "Nations in Hock: Third World's Debt, Totaling $500 Billion, May Pose Big Dangers"—described the perceived threat:

> The nine largest American banks had $38.6 billion on loan to developing countries (excluding the oil-exporting states) at the end of 1979, according to the latest Federal Reserve figures. Moreover, these banks' capital totaled only $21.9 billion. So, in theory at least, they could all be forced into insolvency if only about half of their Third World loans were thrown into default and had to be written off.

This article went on to expose the critical case of Citibank:

> Of the bank's 1979 net income, its annual report shows $262 million came from the Caribbean, Latin America, Asia, the Mideast, and Africa—considerably more than the $193 from North America. . . . Among countries, Brazil is often mentioned in worried tones, mainly because of the size of its borrowings from U.S. banks—about $16 billion as of mid-1980, or about one third of Brazil's total foreign debt of approximately $50 billion. And Citibank alone, its 1979 annual report shows, had $4.2 billion sunk in Brazil, exceeding the $3.6 billion of shareholders' equity in the parent Citicorp.

The worriers are anxious, of course, about the threat to the lenders, not the borrowers. They recall with a shudder the

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massive defaults of foreign governments in the 1930s, and they are fond of citing the old adage: "If you borrow $1 million from a bank and can't repay, you are in trouble. But if you borrow $1 billion and can't repay, the *bank* is in trouble." By 1980, eight of the major banks had combined foreign assets—mostly loans—amounting to the colossal sum of $249 billion, and 58 percent of their revenues were coming from foreign sources (including developed capitalist and socialist as well as Third World countries). (See Table 1.)

Table 1
1980 Foreign Revenues and Assets of Eight Major U.S. Banks

	Revenues in billions of $		*Foreign revenues as % of total*	*Foreign assets in billions of $*
	Total	*Foreign*		
Citicorp	14.2	9.1	64.1	68.0
Bank of America	12.1	6.3	52.5	44.3
Chase Manhattan	8.0	5.1	63.5	40.1
J.P. Morgan	5.2	3.2	62.0	27.3
Mfrs. Hanover	5.2	2.8	54.5	28.2
Chemical N.Y.	4.3	2.1	49.4	17.5
Bankers Trust N.Y.	3.7	2.0	55.3	16.4
First Nat'l Boston	2.3	1.3	57.2	7.2
Totals	55.0	31.9	58.0	249.0

Source: Forbes (July 6, 1981), pp. 92-93.

The giant banks, predictably, respond by reassuring everybody about their good sense, security, and profits. These reassurances give us some especially revealing insights into the workings of debt neocolonialism.

Writing in the June 1981 *ABA Banking Journal*, Jack D. Guenther, senior vice president of Citibank, ridicules those who have been warning the banks. He points out the relative

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security of loans to, or guaranteed by, foreign governments: "Not only has there not been a wave of defaults by the less developed countries (LDCs); cases of individual defaults on loans to governments or on loans guaranteed by governments are practically non-existent in the entire period since World War II. Citibank has not experienced such a default since the Greek government bonds of the 1930s." He presents figures on loan losses by Citibank, 1971-1980, proving the point that the loss ratio on domestic loans (.70 percent) is almost two and a half times the loss ratio on overseas loans (.29 percent). By the way, these figures also reveal a staggering increase in the size of Citibank's loan portfolio and a startling reversal within its composition. (See Table 2.)

Table 2
Citibank Loans, Total and Percent Foreign, 1971-1980

	Total average loans in billions of $	*Foreign % of total loans*
1971	16.3	39.8
1974	30.6	45.8
1975	35.7	52.5
1976-1980 average	49.6	62.3

Source: "Is a Global Debt Crisis Looming?", *ABA Banking Journal* (June 1981), p. 49.

In this decade, Citibank's loans outstanding multiplied over four times. Its overseas loans doubled from 1971 through 1974. The proportion of overseas loans in these first four years of the decade, though steadily rising, averaged just barely 43 percent and never rose as high as 46 percent. Then in that crucial year of 1975, the overseas loans leaped to 52.5 percent, then bounced again to average over 62 percent in the five years from 1976 through 1980. It's safe to presume that Citibank did not make this drastic shift in its loaned capital to improve its security but to increase its profits. In other words, by the late 1970s Citibank—wallowing in an ever-deepening flood of lendable funds—was investing abroad one and a half times the amount of this capital invested in the domestic economy, and

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was gaining from these investments greater and greater quantities of capital to lend. We must not forget where this capital comes from. As Eduardo Galeano has so eloquently put it: "Money, which has its little wings, travels without a passport. A sizable part of the profits generated by the exploitation of our resources escapes to the United States, Switzerland, Federal Republic of Germany, or other countries where it performs a circus somersault and returns to our shores converted into loans."[7]

One main reason for this high rate of profitability is the nature of the countries to which Citibank—and the other private creditors—have been lending their capital. Guenther points out that the "debt of the lowest income countries, those with the fewest resources to service external debt, remained concentrated among official creditors...not the commercial banks." In other words, as might be expected, the banks have been lending to the relatively rich, not to the poor, and skimming the cream. As the Citibank 1980 Annual Report puts it: "Viewed internationally, virtually all of the government and official institutions' portfolio exposure is to industrialized countries, oil exporting countries, and those developing countries in the higher income brackets." (p. 25) And another Citibank publication (their *Monthly Economic Letter* of January 1981), flatly states that "some 20 developing nations account for virtually all the third-world debt owed to commercial banks."

In fact, private loans are even more concentrated among a handful of countries. (See Table 3.) The top five borrowers account for almost half the external debt owed by all 97 "developing" countries to private lenders. And a close look at this table dissolves the familiar argument that Third World indebtedness is primarily a result of current account deficits run up by the oil-importing countries because of OPEC's prices. Two of the top three borrowers—Mexico and Venezuela—are oil exporters, not importers (Venezuela is actually a member of OPEC). Argentina is virtually self-sufficient in petroleum. Spain is not a Third World nation. And Brazil, the leading borrower, has a special function, as we shall see, within the new imperialist world order.

In fact, the banks have set up a most lucrative global ar-

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Table 3
Commercial Bank Claims on
"Developing" Countries as of June 1979

Country or group	*Percentage composition of amounts outstanding*
Brazil	16.1
Mexico	11.7
Venezuela	7.5
Spain	6.5
Argentina	4.8
Subtotal, 5 largest borrowers	46.6
Next 5 borrowers	18.0
Next 10 borrowers	19.2
All others	16.2
All "developing" countries	100.0
Amount (billions of $)	221.5

Source: World Development Report, World Bank (August 1980).

rangement. Until recently, banks and insurance companies were permitted openly to "redline" all the ghettos and *barrios* of the United States, thus either charging exorbitant rates in these neighborhoods or refusing to do business there altogether. Now the banks have succeeded in redlining most of the world, refusing to lend significant sums of capital to four fifths of the poorer countries, even if much of the capital was originally extracted from these countries. And those in financial circles who are warning about Third World debt are like those who warn that it's not prudent to lend money to the kind of people who live in slums.

The spokespersons for the giant banks reply: "Countries like Brazil, Mexico, Taiwan, South Korea, and others have taken on considerable commercial bank debt not because they are in the most difficult position. Quite the opposite. These are countries with the highest growth rates in the world."[8] These countries do indeed embody one side of imperialism's latest strategy.

Brazil, the largest borrower, with over 16 percent of the total private debt owed by all 97 "developing" countries, gives the worriers greatest cause for concern. Its external debt has

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soared from $10 billion in 1973 to an anticipated $60 billion by the end of 1981, its debt service cost has exploded from $931 million in 1973 to $8.7 billion in 1980, debt service as a percentage of gross national product almost tripled between 1974 and 1979 alone, and debt service costs now chew up over 60 percent of its income from exports.[9] Inflation has been raging at well over 100 percent annually. What happens, ask the skeptics, if, say, receipts for a key export should fall, or if interest rates or oil prices should again leap?

It goes without saying that the banks do not *intend* to kill the geese that lay their biggest golden eggs. So perhaps they have something else in mind.

The *Wall Street Journal* of April 20, 1981, suggests what this may be: using the "Newly Industrializing Countries" (or NICs) as alternative bases for capitalist industry as well as investment. An article entitled "Newcomers Scramble to the Summit," quotes Citibank's ubiquitous Jack D. Guenther on Brazil and places his analysis in a larger context:

> With relatively little fanfare, Brazil has grown into "the tenth largest economy in the world," and is already "the seventh largest auto producer," calculates Jack D. Guenther, a Citibank analyst. Even less noticed, others add, is that Mexico's economy has pulled about even with that of Sweden or Belgium.

Since the outlook of the multinational banks and corporations is truly global rather than national, they have no loyalty to any particular country. Finance capital helps industrial capital turn the old runaway shop into a global strategy. Thus they both participate in reversing the mechanism of classical colonialism, which flooded the colonies with manufactured goods made in the homeland of the empire. Textiles, clothing, semiconductors, TVs, shoes, watches, calculators, stereos, and even steel (Pohang, South Korea, now has a modern steel mill larger than any in the United States) now flow from the NICs and Japan into Western Europe and North America.

As these NICs become competitors in the world markets, the multinational banks thus hedge their domestic investments. Of course, the constant increase of productive capacity

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does aggravate the growing threat of an acute global crisis of overproduction and depression, to replace the present chronic overproduction and "stagflation." The extraction of more and more surplus value reduces the ability of the producers—the international working class—to consume the surplus. But acute economic crises do not, as the history of the past century has made clear, by themselves threaten the system of capitalism or even its principal economic institutions. Without political revolution, such crises may actually strengthen the most powerful capitalist institutions at the expense of their weaker competitors. Even if some of the NICs actually end up defaulting on loans, the productive facilities financed by this debt will not evaporate. In fact, default—without revolution—might actually increase the banks' control. In the words of two advisers for the multinationals, describing what happens when countries start to collapse under their load of debt and the banks arrange a "recovery": "The key to the effectiveness of the recovery program is the gradual manner in which power shifts to the creditors as the country's financial downslide accelerates."[10]

Meanwhile, within these nations, the effects of indebtedness are of course contradictory. Unparalleled wealth pours into the hands of the national bourgeoisie, who now aspire to move from their comprador status to join the ranks of the world's capitalists. According to the World Bank's 1980 *World Development Report*'s table on income distribution, only one nation in the world had more than 50 percent of its total household income concentrated in the highest 10 percent of its households. You guessed it—Brazil. (For comparison, the same source indicates that in the United States 26.6 percent of household income is concentrated in the highest 10 percent of households.) Meanwhile, the lowest 20 percent of households in Brazil received 2 percent of the total income, an abysmal figure rivaled only by Peru's 1.9 percent. (In the United States the lowest 20 percent receive 4.5 percent of the income; in the United Kingdom 6.3 percent.)

These abstract statistics merely hint at the grinding misery that leads to the enrichment of the native bourgeoisie and their international lenders. And as Eduardo Galeano has shown,

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these economic relations demand, and are built upon, the enslavement and imprisonment of the poor and working people:

> Pillage by foreign monopolies...forces us to seek new and larger loans from the international bankers. *The vicious circle is perfect: foreign debt and foreign investment oblige us to multiply exports that they themselves devour. The task can't be accomplished with gentlemanly manners. To fulfill their function as hostages of foreign prosperity, Latin American workers must be held prisoner, either inside or outside the bars of the jails.*[11]

Galeano describes precisely what this means for social and political relations inside the more affluent neocolonies in the new imperialist order:

> The abyss that exists in Latin America between the well-being of the few and the misery of the many is infinitely greater than in Europe or the United States. Hence the methods necessary to maintain it are much more ruthless.... In Uruguay half the budget now goes for the armed forces and police, and the function of one fifth of the active population is to watch, trail, and punish the others.[12]

Just as an abyss exists between the rich and the poor within these relatively well-off nations, so an abyss exists between these favored states and the poorest Third World nations. Here the system of debt imperialism has developed some other methods for carrying out its will, methods that threaten any of the relatively privileged nations should they default.

Within the capitalist nations themselves, mechanisms have been developed, at least since the 1930s, for dealing with parts of the system that have collapsed. The least profitable enterprises are either taken over directly or simply financed by a branch of the state. Either alternative is a swell deal for finance capital. Profitable loans can then be made to unprofitable corporations or insolvent municipal and state agencies, no matter how deep these entities may be buried in debt, for the working class can always be taxed to pay the mushrooming debt service. Internationally, the parallel for these mechanisms is being prepared by the IMF and the World Bank.

These international lending agencies have several crucial functions. They can help topple recalcitrant governments

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(Chile, Jamaica), they can rush in to support right-wing military governments immediately after a coup (Argentina, Turkey), they can reward governments that become more hospitable to imperialism (Yugoslavia, China), and they can in general impose conditions on each borrower to make it safe for the later investment of private capital.

The apologists for the new imperialism are sometimes surprisingly frank about these functions. "LDC Debt—Is the Sky Going to Fall?", that article by two advisers for the multinationals, is especially helpful in explaining exactly how the IMF absorbs the risks for the banks and gets troublesome nations into proper shape for private loans. Social programs are decimated, dissent is repressed, and all political affairs are made subservient to the needs of the lenders, present and potential. The IMF's conditions are the stage of "a progression in which leverage and, at the extreme, a degree of sovereignty itself pass into the hands of creditors and outside technicians."[13] Thus old-fashioned colonialism finds a way to sneak back in.

Under the heading "Persistent Difficulties," the authors acknowledge that: "National leaders do not like to be told what to do. They especially do not like to be told to take politically unpopular measures that might, for example, restrain inflation but might also lead to riots, strikes, and widespread protest." But, the authors explain, the LDCs really have no choice but to go along, for the IMF has them in an economic hammerlock. In their concluding section—entitled "An Optimistic Outlook"—they reveal what is necessary to make this system work best: "Even Turkey, in such desperate straits nine months ago, seems to see light at the end of the tunnel thanks to a complex rescheduling, massive financial assistance from NATO and the OECD, and most significantly the recent takeover of power by the Turkish military." It is this military takeover, they blandly proclaim, that "offers the strongest grounds for optimism that a solution exists for Turkey's persistent problems."[14]

To understand how the poorest nations fit into the system of debt imperialism, a useful analogy can be drawn with the freed slaves after the American Civil War. Throughout the South, laws were passed or invoked making it a crime "to have

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no visible means of support," or to be engaged in either of the contradictory acts of "loitering" (staying in the same place) or "vagrancy" (wandering around). The state arrested the "free" blacks and fined them for these crimes. Their former masters paid the fine and took possession of their freed slaves as debtors, doomed to spend their lives and to have their children for generations spend their lives trying to pay off the original fines and the further indebtedness that grew out of their debt servitude. Others were bound into debt peonage through credit extended to them as tenant farmers or sharecroppers. Debt peonage was a dominant feature of the economy of the South well into the twentieth century, just as similar forms of debt peonage still enslave much of the peasant population of Asia, Africa, and Latin America.[15]

The analogy between freed slaves and the poorest of the LDCs or "developing" countries is not so far-fetched. The World Bank places the 38 poorest nations in a separate category blandly labeled "low-income countries." According to the Bank's 1980 *World Development Report*, the average life expectancy at birth in these countries is 50, the adult literacy rate is 38 percent, and the GNP per capita is $200 per year. What caused this appalling impoverishment? A close look at these 38 nations reveals that only two of them are not former colonies of the capitalist powers in the twentieth century, and only two others achieved national independence before the end of the Second World War. In other words, practically all the poorest nations were until very recently the equivalent of slaves, owned and exploited by the richest nations. Just as the capital base for U.S. industry and wealth was largely built on the superexploitation of Afro-American slaves, the industry and wealth of the modern capitalist nations rests to an important extent on the superexploitation of the colonized peoples. Just as the abysmal poverty of the freed blacks came from their superexploitation as slaves and left them virtually defenseless against their re-enslavement as debt peons, so the abysmal poverty of the poorest Third World nations came from their superexploitation as colonies and leaves them vulnerable to re-enslavement as debt peons.

Once the slaves became "free," they formed a vast reserve

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army of labor. They were available to serve not only as debt peons, tenant farmers, and share-croppers, but also as strike-breakers, chain-gang laborers for the state, domestic servants to allow more women to enter the labor force, and a reserve labor force in the cities. The former owners of the slaves no longer had any interest in providing them with even minimal food, clothing, and housing, so they could be literally exploited to death with no loss to the ruling class (in 1869, for example, the death rate among leased black convicts in Alabama was 41 percent).[16]

Like the emancipated slaves, the ex-colonies, once they were no longer the property of the colonial powers, now had to fend for themselves. Like the freed slaves, they owned neither the means of production (still largely in the hands of foreign capitalists) nor the productive skills necessary to prosper in a world dominated by capitalism.

Just as debt peonage and wage slavery actually provided advantages for developing industrial capitalism in the United States, the new form of debt imperialism has certain advantages over outright colonialism or the classical form of neo-colonialism. Just as the former slaveowners no longer had to worry about economic losses from the death or sickness of slaves, debt imperialism, not having to rely on direct ownership of the means of production, can afford to deplete resources or people with relative impunity. Finance capital can dart swiftly from one part of the globe to another, avoiding risks and taking advantage of the most lucrative opportunities. But most important, nationalization, once the nemesis of capitalism, does not necessarily pose a dire threat. So long as the nationalizing governments are still in hock, the banks can still collect those golden eggs. Even a state owning all the means of industrial production can be looted—witness Poland.

Whatever immediate advantages debt imperialism offers, however, it is a system even less viable for the long term than old-fashioned colonialism. It will not, as the alarmists within capitalist circles warn, fall of its own weight, despite its manifest irrationality. But this irrationality does become ever more blatant. And the contradictions between rich and poor become ever fiercer—within the "favored" nations allowed to borrow

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from the private banks, within the poorest ex-colonies groaning under the yoke of the IMF and its puppet dictators, between the imperialist powers and their neocolonies, and even within the richest capitalist nations, as we Americans are beginning to experience for ourselves.

Imperialism cannot ultimately rule the world through pieces of paper. Old-fashioned colonialism derived strength from many sources—missionaries, corporations, loans, puppets, guile, racism, and so on. But ultimately its growth and survival depended on two things: the direct use of military power and the predominance of capitalism as a political economy over any other system.

But since the Second World War the world is a very different place. The rise of socialism has of course profoundly changed the balance of forces. In the post-war period, outright colonialism was defeated militarily at key points and buried by national liberation movements. For a while, it seemed as though classical neocolonialism could quietly take its place. But this illusion was shattered in Vietnam. There the world learned that neocolonialism also demanded both the willingness and the ability to intervene militarily, and that with the new balance of forces in the world, imperialism, no matter how mighty its external appearance, could be militarily defeated.

In the world that has been evolving since 1975, direct military intervention by the imperialist powers becomes less and less a viable option. Nicaragua and Grenada have broken through the imperialist ramparts in the Western Hemisphere, and even the latest gangsters running Washington don't seriously propose sending in the marines, as their predecessors did in Lebanon, Vietnam, and the Dominican Republic, to name a few. The changing balance of forces in the world also helps awaken consciousness within the United States, which in turn makes the defense of imperialism, whatever its latest form, more difficult. Thus the mention of sending more U.S. "advisers" to El Salvador produced in May 1981 a demonstration of well over 100,000 with an anti-imperialist consciousness quite clear about the connections between the Reagan program for El Salvador and the Reagan program for the United States. So in El Salvador, U.S. imperialism is forced to

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rely on professional sadists, mercenaries, Cuban exiles, Vietnamese ex-Rangers, remnants of Somoza's Nicaraguan National Guard, and a few score Green Berets. Forces like these may temporarily retard history, but they cannot make it go backward.

Debt imperialism may in the short run produce superprofits for finance capital. It may succeed in allowing capitalism to leap about the world, unchained to national ownership. It may cause temporary confusion. But it cannot long survive unless it can do two things: put armies in the field willing and able to act as capitalism's enforcers over peoples and nations, and, at the same time, demonstrate that it is a more advanced form of political economy than socialism.

NOTES

1. "International Banking System: Further Signs of Disintegration," *International Currency Review*, 12 (1980), #6, p. 10.
2. *Citibank Monthly Economic Letter* (January 1981), p. 11. Citibank and its various mouthpieces have been singing the same tune at least since an article, "LDC Default—Shadow Without Substance," in its November 1976 *Monthly Economic Letter*. An attempt to define both the economic and financial forms of debt burden and to measure their actual dangers appears in David Roberts, "The LDC Debt Burden," *Federal Reserve Bank of N.Y. Quarterly Review*, 6 (Spring 1981), pp. 33-41.
3. *Wall Street Journal* (June 25, 1981).
4. "Trilateral Relations in a Global Context," *Trialogue* 7 (Summer 1975), p. 11. Quoted in *Trilateralism*, ed. Holly Sklar (Boston: South End Press, 1980), p. 7.
5. The data in this paragraph are from *World Debt Tables, Volume I: External Debt of Developing Countries* (World Bank, November 15, 1980). These figures do not include short-term debt.
6. *Ibid.*
7. *Open Veins of Latin America* (Monthly Review Press, 1978), p. 329.
8. Jack D. Guenther, "Is a Global Debt Crisis Looming?" *ABA Banking Journal* (June 1981), p. 105.
9. *World Debt Tables, Volume II* (World Bank, Oct. 31, 1980); *World Debt Tables—Supplements* (March 26, 1981); *Wall Street Journal* (June 26, 1981); Roger S. Leeds, "External Financing of Government—Challenges and Concerns," *Journal of International Affairs*, 34 (Spring/Summer 1980), p. 29.
10. David B. Zenoff and Geoffrey S. Howard, "LDC Debt—Is the Sky Going to Fall?", *Sloan Management Review*, 22 (Fall 1980), p. 58.
11. *Open Veins of Latin America*, pp. 299-300.
12. *Ibid.*, p. 293.
13. Zenoff and Howard, p. 59.
14. *Ibid.*, p. 61.
15. See the discussion in chapter 3 of my *The Victim as Criminal and Artist: Literature from the American Prison* (New York: Oxford University Press, 1978).
16. *Ibid.*, p. 102.

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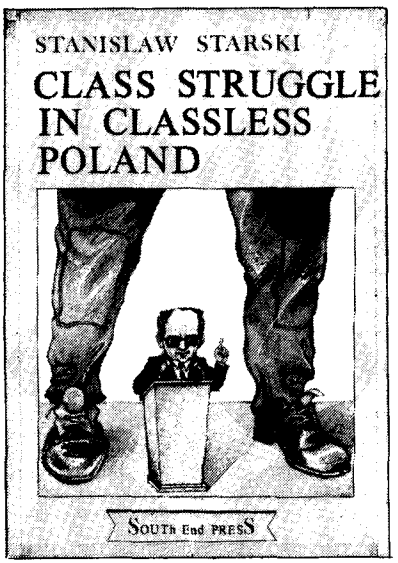

Stanislaw Starski is an assumed name adopted for political reasons. The author is a Polish sociologist, Solidarity member and political activist who has participated first hand in the Polish workers' movement, contributing his skills as a writer, speaker and organizer.

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THE DOMINICAN MODEL

By J. Thomas

August 16, 1980, marked the second anniversary of the inauguration of Antonio Guzmán as president of the Dominican Republic. On election day in the spring of 1978, military forces had seized the ballot boxes when it became clear that their favorite, the incumbent president, Joaquín Balaguer, was losing to the candidate of the Dominican Revolutionary Party (PRD). A stern warning from the Carter administration, plus an outcry from a cross section of Dominican society, sent the troops back to their barracks, and the "popular will" in favor of Guzmán was respected.

On inauguration day, Guzmán denounced Balaguer to his face, and many Dominicans feared that the twelve-year-old Balaguer administration would not turn over the reins of government. The transfer of power can only be explained by analyzing the recent history of the Dominican Revolutionary Party and the Latin American strategy of the Carter administration in the first years of its incumbency. Similarly, the real meaning and effect of the U.S. "human rights" campaign can be understood by taking a close look at what may be called "the Dominican model," as the Carter administration glowingly referred to the Dominican Republic under Guzmán.

In 1965 the Constitutionalist faction of the Dominican army and a large segment of the population rose up in arms to

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J. Thomas is the pen name of a person with long experience in the Dominican Republic, who has requested anonymity in order not to jeopardize friends and contacts there who directly or indirectly furnished much of the information on which this article is based.

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demand that Juan Bosch, the duly elected president who had been overthrown by a coup in 1963, be reinstated to his rightful position. As the revolution gained ground, Lyndon Johnson ordered U.S. troops to invade "to protect the lives of American citizens." Soon the rationale changed to that of stopping what Johnson considered a Communist revolution. Subsequently only a minuscule fraction of the revolutionaries could be identified as Communists.

During the year following the invasion, the United States bankrolled the Dominican state apparatus to the tune of nearly $100 million dollars. In 1966 Joaquín Balaguer, who had served as Trujillo's right-hand man, was inaugurated president as a result of hotly contested elections in which charges of fraud were abundant. Balaguer was elected twice again during his twelve-year tenure, and each time the electoral process was criticized as farcical.

The Balaguer regime was noted for its repression of workers, peasants, and students, its crushing of all dissent, its reliance on U.S. military and civilian aid, and its subservient open-door policy toward U.S. corporations. The "tough hand" of its official military and police was strengthened further by a paramilitary right-wing group which terrorized the people with apparent government consent and even cooperation. The U.S. military helped to train and equip the armed forces in the Dominican Republic (as in most other Latin American countries), and the U.S. Agency for International Development (AID) combined an Office of Public Safety (OPS) with its programs in health, education, agriculture, and other areas of Dominican life. The OPS, which was discontinued in 1973, trained and equipped the National Police—which had been created by the U.S. military occupation forces after the first U.S. invasion.

During the Balaguer years the rich landowners, bourgeoisie, and military got richer while the poor workers and peasants were either unemployed or saw their wage levels frozen for years while inflation ran wild. All attempts at organizing for social change were brutally and openly repressed by government forces.

The stable business climate not only pleased the native

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elite but also attracted foreign investment and credit. The largest and most controversial U.S. investor has been Gulf & Western (G & W), which also owns Paramount Pictures, the New York Rangers, Simmons Beds, and a host of other subsidiaries. By 1967 G & W had bought out the South Puerto Rico Sugar Company and thus became the owner of one third of the Dominican sugar industry. At the same time, the strong union representing the cane workers was annihilated through a combination of government and company policies, to be replaced by a "yellow" union more to G & W's liking. Over the years, efforts to organize a real union have met with stiff police repression.

The New York-based multinational has reaped enormous profits from the Dominican Republic where it has taken advantage of migrant workers from Haiti who perform the back-breaking work of cane-cutting for starvation wages. Currently a worker receives about $1.80 per ton, and most can cut only slightly over one ton a day.

G & W has also branched out into cattle-raising, tourism, cement, and finance, and runs a free zone where foreign companies are completely free of taxes and pay their employees the bare minimum wage (currently $125 a month, not applicable to cane cutters). There is no union of any kind in the free zone, which is kept under tight security and is considered off limits to labor organizers. To appreciate how minimal $125 per month is, consider the following prices: 35¢ for a quart of milk; $1.50 for a pound of beef; 40¢ for a can of Campbell's soup; 35¢ for public transportation.

By early 1978 Dominicans had had enough of *Balaguerismo*. All sectors were demanding more political freedom, and the lower classes were equally vociferous about the need for *economic* change. The Dominican Revolutionary Party finally seemed to have a real chance to win the elections. One development which helped to make the PRD "acceptable" to the Dominican oligarchy and to the United States was the nomination, after a long primary battle, of Antonio Guzmān, a wealthy landowner from the traditionalist Santiago region and the most conservative of the PRD contenders.

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External factors also favored the PRD or at least assured it a fair chance in elections. Carter's human rights oratory had made elections and civilian governments the order of the day for much of Latin America. This ephemeral change of style in U.S. policy—now seen to be very temporary indeed—did have some effects, however superficial. It did not take Latin Americans long to uncover the real strategy behind the moralistic speeches: to replace the unyielding and visibly fascist military regimes with slightly liberal, "democratically elected" civilian leaders. Not only had the old breed become embarrassing to their American mentor and patron, but they were not enlightened enough to know how to defuse the revolutionary explosion surging out of the powder keg of unemployment, hunger, and other miseries which constantly grow more acute throughout the continent. And the generals' terror and torture were so clearly in the service of the rich minority that the masses could no longer be led to believe in the system.

A strictly military solution to the cries of the oppressed might result in the situation described by a U.S. military officer in Vietnam: "We had to destroy the town in order to save it." A more rational, more modern approach might prove to be more effective: remove the military dictators from center stage by holding elections which, of course, are dominated and controlled by the upper class. The resulting civilian administration will look like the people's choice and will speak of freedom and democracy for all. Some political prisoners may be released, and some political exiles may be allowed to return. Thus a "limited democracy" comes into play, with the military retaining much of its power and always ready to step in if things get out of hand and if the new freedom really threatens the economic system.

The new civilian administration may also give a few economic crumbs to the masses—a little "agrarian reform," a slight wage increase, perhaps a few new hospitals—and will promise that economic benefits will continue if the workers and peasants will only cooperate with *their* government.

By promoting such developments (which bear a certain resemblance to the Alliance for Progress strategy after the Cuban Revolution), Carter sought to prevent radical structural

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change and, in the bargain, to polish up the international image of the United States after Vietnam, Chile, and other unsavory U.S. interventions.

With this policy in full gear when the Dominicans went to the polls in the spring of 1978, it was not entirely surprising that the Carter administration turned its back on its old *gendarme*, Balaguer, and ordered his military backers to leave the ballot boxes alone and get back to the barracks. Although Balaguer was not a general, his reign was not unlike that of the outright military dictatorships of Latin America; thus the U.S.-supported change of administration fit into Carter's civilian strategy. The United States and the Dominican oligarchy knew that they had nothing to fear from Antonio Guzmān. However, before the military got their hands completely out of the ballot boxes, several key Senate seats had been delivered to Balaguer's party, and it is widely felt that Guzmān gave further assurances to the United States and to the Dominican military and oligarchy that his government would not seriously challenge their interests.

Two years ago Guzmān became president, but that did not mean that the PRD came into power. Guzmān began to distance himself from the party and from its more controversial campaign promises. The PRD had said that it would try to reestablish relations with Cuba and would take a hard look at the multinationals operating on its soil, especially G & W. Not only has Guzmān done nothing to forge friendly relations with Cuba, but he even turned back planeloads of Cuban aid after the deadly hurricane David struck the Dominican Republic in 1979, killing over a thousand and leaving more thousands homeless and hungry.

The PRD's "hard line" on multinationals has been softened to the point where it is practically as friendly as that of Balaguer. In fact, Guzmān's version of a PRD government suits G & W and other companies just fine, because the PRD has just enough of a social-reform image about it to be able to enter into the labor movement and try to neutralize its more militant elements, something which the anti-labor Balaguer regime could never do successfully. Shortly after the inauguration, the PRD spawned the UGTD (Union of Dominican

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Workers), a labor federation which would bring under its wing a significant number of unions. As the labor arm of the party in power, the UGTD had a clear edge over the other federations.

One of its early coups was to take the union at G & W out of the hands of the CGT (General Confederation of Workers), the strong leftist federation which had been struggling for years against G & W and the "yellow" union which had been imposed in the early Balaguer days. The new Guzmãn administration was supposed to guarantee labor freedom; and the CGT, which had widespread support among the G & W workers, had every reason to believe that its efforts to form a genuine union at G & W would bear fruit. Of course, G & W feared the CGT, not only because this federation would be firm in representing the workers and probably would not settle for slave wages of $1.80 per ton for the cane cutters, but also because the CGT goes beyond questions of wages and conditions and challenges capitalism itself.

Similarly, the Guzmãn administration, looking over its shoulder at the American embassy and not wanting to frighten away foreign investments, was pleased to give every advantage to its own people in the UGTD. Through a combination of legal technicalities and outright repression (including the jailing of the Secretary General of the CGT) the government's UGTD people were recognized by the Secretary of Labor, also a PRD appointee, as the winners of the workers' votes.

The present leadership of the union seems to have cordial relations with G & W and steers clear of political discussion of multinationals. Thus it is presented as "non-political" and free of ideological entanglements, whereas in reality it is an arm of the bourgeois party in power, and its ideology is pro-capitalist and pro-multinational.

Not surprisingly, the UGTD is beginning to receive some help from the U.S. government. The American Institute for Free Labor Development (AIFLD), which receives 90 percent of its budget from USAID and the rest from the AFL-CIO (as well as from some multinational corporations), generally funds educational and other programs for the more conservative, "non-political"unions throughout Latin America. In recent

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years AIFLD has been cooperating with a federation closely related to the former Balaguer regime and has now begun to give scholarships to some UGTD leaders to study labor relations in the United States.

Guzmān struck another blow against labor when his secretary of education fired over one hundred teachers, alleging that they were incompetent and were mixing politics with their teaching. Almost all of those fired were active in the Association of Dominican Teachers, an organization affiliated with the CGT. Peaceful protests against the firings have resulted in the injury of several demonstrators and the killing of one woman by the police.

The controversy has occasioned a widening of the split within the PRD, and some detect the hand of the United States behind the firings. Adding force to that suspicion is the fact that USAID gave a substantial grant and provided about a dozen advisers to the Department of Education to help with a "diagnostic study" of the entire educational system. One of the chief recommendations was that efficiency must be improved. USAID, whose technicians on the scene are clearly not sympathetic to the teachers' union, is also administering a $7.5 million loan program to the education sector.

The government's increasingly tough stance against unions was also shown when it cracked down against two strikes organized by the cab drivers to protest incredibly steep and abrupt increases in the price of gasoline. The drivers received wide popular support for their cause, and demonstrations were organized. A number of participants were killed by government forces.

Bosses still enjoy the advantages of the Labor Code which originated in the Trujillo dictatorship and which gives practically no protection to union organizers. At the mid-term of the Guzmān administration they have launched an anti-union campaign which appears to have official support. Police and troops are always on the scene when a strike is called, and if a support demonstration occurs, there is almost inevitably a series of arrests. Indeed, the government security forces recently informed the citizenry of the need to obtain police permission *prior* to any public demonstration. Lawyers and political

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groups immediately challenged this official pronouncement, claiming that the law requires *notification* to the police, not an application for a permit. Whatever the interpretation, the government's statement is considered another sign of the deterioration of human rights.

In the peasant sector, the government has carried out some of the provisions of the agrarian-reform law already on the books and claims to have made credit available to small farmers. The administration has given plots of land to some peasant families, but critics say that the reform is too little and too slow and that the government could hardly have totally ignored the persistent cries and actions of the landless masses. The government states that there are 310,000 peasant families without land. Land takeovers by "squatters" in desperate straits occurred during the Balaguer days and have continued in the Guzmān administration, and they are still usually handled by arrests and jailings. Determined efforts by peasants to occupy G & W land were first met by threats and force from the present establishment. The sugar-cane giant was forced to offer about 16,000 acres (a small fraction of its total landholdings) to the government's land reform program. When the first parcels were made available, they turned out to be of very poor quality. The ensuing outcry brought some better land offers, but at present G & W still has a long way to go before actually turning over the acreage offered.

Critics claim that the official land reform program has every right to expropriate some of G & W's vast holdings, just as it goes after other large *latifundios*. But the Guzmān administration has been content to accept G & W land as *gifts*, which serves the companies public-relations purposes very nicely. Some critics even say that G & W offered the new administration a deal: we will gradually turn over 16,000 acres, and you will prevent the CGT from being elected on our property. What is certain is that the government-related labor federation (UGTD) did undercut the CGT. A top labor leader reports that a high official of the PRD felt that the captains of industry would bring about a military coup if the CGT continued to gain strength.

The Guzmān administration's friendly relations with G &

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W received a sharp challenge at the end of Guzmān's first year in office when the Securities and Exchange Commission (SEC) in Washington revealed that the company's books showed a $38 million debt to the Dominican government. That was said to be the Dominican share of the profits G & W had reaped by speculating with its own and the government's sugar in the futures market. With public sentiment against G & W running high, Guzmān announced last August that he would take the company to court to recover the money. Recently the government and the corporation arrived at a "settlement" by which G & W will put up the money for various public-works projects to be determined by a commission.

Regarding another foreign giant, Rosario Resources, which for years had been removing gold from the country, Guzmān won public acclaim in some sectors by "nationalizing" the company. Critics, however, balked at the method: buying out Rosario's 50 percent of the gold-mining operation at a price of $70 million, which the government borrowed from foreign sources.

At the half-way mark, the Guzmān administration has a mixed record. On the political level it has allowed an "opening" of some civil liberties, which is a refreshing change from the "neo-Trujillista" era of Balaguer. But when workers, peasants, and the more radical political organizations begin to exercise these freedoms to make real changes, the rights tend to evaporate and the old repression returns.

In economic terms, Guzmān did raise the minimum wage after 12 years of frozen wages and escalating prices, and he has implemented some measures of the agrarian reform law. But the slight increase in wages is hardly sufficient to meet inflation, and peasants with newly acquired land are only a small fraction of those in extremely desperate need of a little land to eke out a living.

Both the political and economic reforms, aside from their superficiality and inadequacy, can be seen as necessary tactics in the strategy of keeping the present system intact in the face of growing misery and revolutionary challenge. In this way the "social democratic" approach conformed to the strategic plan

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of the early Carter administration, giving a few crumbs in order to preserve the multinational supermarket. As the Carter hand became rougher, so did the repressive force of the Guzmãn administration. With the breakdown of "limited democracy" in the Dominican Republic and the rise of the Reagan administration on the international scene, the Dominican crisis becomes sharper. Whether the road ahead will lead to genuine revolutionary change or to increased repression depends on the Dominican popular forces and, to some extent, on the American resistance to the interventionist policies threatened by the new administration in Washington.

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THE SUICIDE OF ANWAR SADAT

By Farida Shoubachi

In November 1977, seven years after he had come to power and four years after he had launched the war of Ramadan, Sadat decided to make, literally, a leap into the unknown. To set foot in Israel, to go to Jerusalem, to speak to the Knesset, hold discussions with Menachem Begin and laugh with Golda Meir was to enter a place which until then had been to the average Arab nothing but a blank, a zone of absolute darkness. When he landed after nightfall at the Lod airport, which most Arabs were seeing on television for the first time, Sadat was exploring for them a planet as hostile as it was mysterious.

"And if they incline to peace, do thou also incline to it." Guided by this verse from the Koran, Sadat was holding out his hand to those who so far had revealed themselves to the Arabs only through fire and the sword. To be willing to recognize a human face under the helmet of the enemy—that was the full significance of his gesture.

We must remember today that the vast majority of Arabs held their breath and kept everything, even their conversations, in suspense until the end of that journey. Even those who were most hostile to the search for compromise solutions with Israel caught themselves dreaming for an instant of the impossible. . . hoping, albeit without conviction, that Sadat's mad

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Farida Shoubachi is the pen name of a journalist residing abroad. The translation is by Joan Pinkham.

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gesture would be answered by a mad gesture from Begin—and that for once, history would break out of its own laws.... We all know what happened next.

Begin listened to Sadat without hearing him. He did not answer him; he insulted him. The meeting of the Knesset branded the Arabs with a hot iron. And after that, each of Begin's initiatives was perceived as another humiliation.

In going to Jerusalem Sadat had committed the pride of each of his compatriots. And thenceforward each of them was to feel it in his flesh every time Sadat received a slap in the face.

In the West astonished public opinion went into endless raptures over the nobility of his gesture. But the Arab world meantime found it increasingly difficult to endure the wounds to its self-esteem which were the only reward of that gesture.

Why did Sadat continue, for whatever it was worth, to pursue a course that cost his regime so dear? To recover the Sinai? That was doubtless part of the reason. But that recovery and the accompanying normalization of relations with Israel were in fact only a prerequisite to the realization of a far greater ambition: that of transforming Egypt into a suburb of the West. This was not the first such attempt. The same thing had been tried exactly a century earlier by Khedive [Viceroy] Ismail; it had ended in the bankruptcy of Egypt and had paved the way for the military occupation of the country.

To Sadat, returning to the American sphere of influence, signing a separate peace with Israel, abandoning the heroic dream of a new Arab renaissance (which implied a long period of comradeship-in-arms with the Palestinian national movement), and renouncing non-alignment and solidarity with the proletarian peoples of the Third World were all part of a coherent strategic plan, according to which Egypt would enter the consumer society and, ceasing to be the source of a great hope for emancipation, would become the showcase for a multinational capitalism open to all bids.

In the beginning many Egyptians were lured by the promises of opulence which the regime linked with the success of this strategy. But for the most of them, disenchantment, little by little, became mingled with shame. Then the seeds of anger began to germinate.

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This was not only because the promises were in large part lies and because in any event the opulence in question was very unevenly distributed among different social strata. It was above all because as the contours of Sadat's whole plan began to come clear in daily life, there was an increasingly widespread reaction against it.

The only prospect offered the Egyptians by this plan, which had no grandeur of conception, no moral reach, was the pursuit of a dubious material progress and the law of ruthless individual competition, in which greed gradually replaced all other social motivations.

The norms of the consumer society asserted themselves brutally, against the background noise of the household appliances of the American Way of Life. And increasing numbers of men and women, losing the last points of reference of a community ethic and traditional family solidarities, found themselves increasingly lost in a world that no longer responded to their deepest anxieties.

As a consequence, the humiliating concessions that Sadat made to Begin appeared as the extension outside Egypt of an enterprise of destruction, of cultural rape inside the country. And the abandonment of brotherhood with members of the Third World, the faithlessness to the hopes of the Palestinians, were only the other side of a betrayal that was perhaps more personal, even more unforgivable: the betrayal of the profound reasons that make life worth living.

The opposition to Sadat's plans which began to arise within the mass of the Egyptian people was a total rejection of a system of values that he had surreptitiously introduced into a society whose members failed to recognize their own image in it.

The mental and material fabric of Egyptian society had already been rent in many places by having been successively pulled in opposite directions: toward the statist model of Eastern Europe and toward the liberal model of Western Europe, toward protectionism and throwing borders open in all directions, toward the policed society and the permissive society. But all of these attempts had had one thing in common: politically, economically, or culturally they were inspired

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abroad. Until now Egypt had always been able to find somewhere, deep inside, the force to resist things that in the end, beyond a certain threshold, threatened her identity, violated her dignity.

What Egypt rejected in Sadat's plan was not his wish for peace with Israel but the dishonor that, starting with Camp David, was attached to that peace. Hence this paradox: Nasser, who had lost the Sinai but continued to call for resistance, was remembered by Egypt as the father of his country. Sadat, who recovered the Sinai but at the price of Egypt's submission to the will of Washington and Tel Aviv, was perceived as the man who had sold the nation's honor at a discount.

What Egypt rejected in Sadat's plan was not so much the economic chaos it brought as the moral cost it implied—the loss of her soul, the prospect of a future that did not measure up to her past.

That is why for Sadat to follow this course was the equivalent of suicide. In so doing he made fertile the soil of a mass resistance that took on various forms—passive or active, spontaneous or organized—a resistance in which were to be joined all the groups that on one ground or another claimed a small part of the truth of Egypt: from those who preached the return of a pure, hard Islam preserved from any foreign stain to those who called for a rediscovery of the Nasserian heritage of nonaligned nationalism; from those who rejected any notion of peace with Israel to those who would be ready to explore it, but on the basis of an Arab consensus including the Palestinians.

Of all these groups, only one posed a dangerous challenge to the regime. It was the one which, in the name of a fundamentalist mystique, opposed both the ideology and the institutions of power and which, instead of giving way under repression, hardened its action to the point of daring to undertake movements of revolt.

It was this group—after having been handled carefully for a long time by Sadat himself in the hope that it could be used as an element of political intimidation—was the hardest hit by the arrests of September 1981. It was almost as if Sadat had deliberately laid himself open to its blows.

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SOMOCISTAS ON TRIAL

By Joseph K. Skinner

In September of 1980 Anastasio Somoza, Nicaragua's infamous dictator, was blown to bits as he drove the streets of Asunción, Paraguay, by what has become known in Nicaragua as the "*glorioso bazucazo*" (bazooka-round). The Nicaraguans dancing in the streets that day called it "people's justice." But what has become of the thousands of *somocistas* caught in and after the Sandinistas' July 19, 1979, sweep into Managua? The following is an account of their trials, with a number of case histories.

Even those familiar with Managua—those used to giving and taking directions as "such-and-such a number of blocks 'up' (or 'down') from such-and-such a landmark and such-and-such 'to the lake' (or 'south')"—have a hard time finding the *Tribunales Especiales*. (Some foreigners, of the sort who have come for a taste of Third World living and who have just learned this address system tend to be a bit smug about their new ability, since to have learned it means to have made many a trip around this stifling, centerless city of poverty; and to do so in the horrendously overcrowded urban buses is, indeed, a grueling experience.)

Joseph Skinner is a writer living in Santa Fe, New Mexico. Born in Puerto Rico, he grew up in Mexico, and has visited Nicaragua twice since the overthrow of the Somoza regime, most recently for four months during 1980-81.

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Once located, the *Tribunales Especiales*—nine courts in the Colonia Altamira, which between December 1979 and February 1981 tried 4,550 civilian and military collaborators of the Somoza regime—are not what one expects to find in the way of courthouses. They are nine modest, middle-class houses across the Masaya highway from the "Chema" Castillo house, site of the famous 1974 FSLN (*Frente Sandinista de Liberación Nacional*) raid on the *somocista* Christmas party which got fourteen Sandinista political prisoners freed and spirited away to Havana, along with a million dollars. Two flags, Sandinista and Nicaraguan, along with the two or three sentries at each entrance are the only signs of officialdom. Upon closer inspection, one sees two notices tacked on the courthouse doors, one warning the defendants' families of crooked lawyers hanging about who could swindle them with false promises to obtain the release of their relatives. The other sign reads, cryptically: "For your personal security it is suggested that you do not stand in this doorway." The guard adds that it is because of "bombs." He is unclear as to whether the danger is from a bomb itself or a sentry thinking one is carrying a bomb; at any rate, one hurries inside.

In the small room where witnesses and defendants testify, there sit the three *miembros* (one *presidente* and two *propietarios*), the *fiscal* (prosecutor), and a man who calls himself a *técnico*, an eyebrow-raising self-description, since *técnico* is a euphemism for torturer in many countries. Here it means stenographer, he smiles, pointing to his old Adler typewriter. Defense lawyers are normally not present when the accused is called before the court. The *miembros* and the *fiscales* are all lawyers or students of law; in eight of the nine courts, there is at least one woman among them. All dress informally; most are young.

The collecting of evidence for each case was up to the Sandinista *Seguridad de Estado* and a special "brigade" of eight; lawyers for the defense presented their evidence separately. In the course of these preliminary investigations much was learned about the inner workings and machinations of such Somoza organizations as the *Oficina de Seguridad Nacional* (OSN), the *Servicio Anti-Comunista* (SAC), the *Escuela de En-*

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trenamiento Básico de Infantería (EEBI—Somoza's Green Berets), the *Juventud Liberal Somocista*, and the death squads, such as *Mano Blanca*. To give an idea of how many people were involved in these operations—most of whom undoubtedly made good their escape to Miami, Honduras, and other places—in the OSN offices alone were discovered dossiers of some 30,000 individuals who over the years in one way or another collaborated with Somoza's army-police apparatus.

The *Tribunales Especiales* tried high-ranking *Guardia Nacional* (GN) officers, foreign mercenaries (one, a German, accused of being the GN's trainer of attack dogs), spies, and infiltrators of the FSLN (in one case, a high-ranking member of the *Partido Socialista de Nicaragua* [PSN] which had collaborated with the FSLN, was, to the acute embarrassment of the PSN, caught by rebel forces one day toward the end of the war sweeping the floors of the SAC offices, a Uzi sub-machine gun slung over his shoulder), and many a *raso* (enlisted man) of the GN. When Somoza fled to Miami, all of them found themselves suddenly on their own. The *rasos* more often than not came humbly before the court, in many cases their defense being that they had been forced into the *Guardia*'s ranks, especially during the final few days of the war. Most of the *rasos* whose cases proved to be just that are among the 2,000-plus prisoners who have so far been pardoned.

As Sandinista militiamen stood idly in the shade of a nearby park and a couple of jeeps discreetly patrolled the neighborhood, the accused would be brought to the little courthouses in whatever military vehicles were available. Dressed in civilian clothing, their hands free, and generally looking healthy (many) of the sick and aging are allowed to serve their sentences under house arrest), they would be taken, one at a time, into the small room with its revolutionary posters of Sandino and Fonseca, sometimes Che, and made to sit in a straight-back chair or on a stool to listen and respond to the charges against them. Some of the accused spoke for hours, others hardly at all; thus, the number brought forth varied from day to day. Some were defiant, a few GN officers remaining loyal to and defending the Somoza regime. ("I was not aware that the dic-

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tatorship was particularly repressive," said ex-Colonel Armando Parajõn, adding sarcastically the peculiar comment, "I don't know whether or not the *Guardia* protected the people. I haven't asked all the people this.") Others were plainly repentant and had resigned themselves to punishment. And a great many downplayed their involvement with the regime to such an extent that it began to seem as if the *Guardia*, the OSN, and the EEBI were nothing more than fraternities of janitors, chauffeurs, and office boys, all in the service of a government they knew nothing whatever about.

The *Sandinista* daily, *Barricada*, would print the names and photographs of certain prisoners along with the addresses of offices around the country set up specially to take testimony from witnesses of war crimes. The evidence thus garnered, along with evidence from the investigations of the *Seguridad de Estado* and the brigade of eight, would be turned over to the appropriate *fiscal*. Sometimes eyewitnesses would be brought in to confront the defendants, tell their stories, and show the court their scars. The defendants' appearance before the court became the focal point of each trial. Surprisingly, few of the accused confessed fully to the charges, if at all; such was the absence of coercion from the *Sandinista* authorities. And the lack of remorse shown by some suggested an absence on their part of any great aversion to prison life, penitence being something the court takes into account at sentencing. In other words, there was no steady stream of physically and psychologically broken men and women begging for mercy, but rather a good many cocky ones, apparently unwilling to level with their accusers.

There is no death sentence in Nicaragua. In fact, the harshest sentence called for by the law in these cases is 30 years. Parole, however, is loosely defined and amounts to amnesty issued by the Ministry of the Interior. In December 1980, for example, a great wave of 512 prisoners received pardons and were released from jail amidst much official publicity. The names of the 512 were placed in all the dailies and read over all the radio stations as a means of getting word of their imminent release to their families. (Radio in El Salvador nowadays provides an inverse service: names of identified but unclaimed

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victims of the night's government and death-squad terror are read on the air the following morning along with the indicated morgue.) Teenagers figured heavily in the civil war, especially on the revolutionary side, and they are not considered irresponsible children in the North American sense; fifteen was deemed the age to be tried as an adult.

At the end of the trials, the official breakdown of the sentencing was as follows: 28 percent received one to five years, 4 percent six to ten, 22 percent eleven to fifteen, 6 percent sixteen to twenty, 13 percent twenty-one to twenty-five, and 27 percent twenty-six to thirty. In November 1980, to give another breakdown, 899 prisoners were processed, making it a heavy month. Of these, fifty-six were GN officers, twenty-five were OSN agents, twenty-seven were said to have belonged to paramilitary death squads, seventeen had been in the civil reserve, thirty-seven were tried as civilian collaborators and snitches, and twenty-seven had been *jueces de mesta*, rural "judges" who managed Somoza's vast landholdings and the wretchedly poor peasants who worked them. (Somoza occasionally referred to all of Nicaragua as "my ranch.") The rest were GN regulars.

The Death of Carlos Fonseca Amador

On December 10, 1980, a dark man from the jungles of Zelaya was brought before the court to tell what he knew of the death of the founder of the FSLN, Carlos Fonseca Amador. His name was Feliciano Obando. He told of how he had enlisted in the GN in 1976 as a means to help free a cousin and an aunt, supporters of the FSLN, from jail (presumably by working his way up into a position of influence within the military hierarchy; this tale of self-sacrifice did not appear to impress the judges overly). At the GN headquarters in the tiny village of Waslala, where he was stationed, was a sordid little jail featuring a large hole with a concrete cap where, he said, the dead prisoners were thrown.

One early November morning of that same year a country woman appeared at the headquarters with the following information: there was an encampment of *guerrilleros* in Dipina who were preparing to attack the Waslala headquarters. The

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commander, upon interrogating her further, decided to believe her, and called together all 80 troops at the base. Many of them had never seen action before; these were to compose the rearguard of the more experienced vanguard. It was a six-hour march to the indicated location; the "operation" began about noon. The vanguard exchanged some shots with the *guerrilleros*, not many; after the shooting was over, it began to look like another fruitless pursuit, so typical of mountain-jungle guerrilla warfare, in which the *guerrilleros*, although taken by surprise, are able to vanish quickly into the bush. The troops from the rear, among them Obando, advanced cautiously upon the abandoned camp site; there was nothing there. A shout came from the edge of the Río Dipina; it was the lieutenant from the front squad: he had "found something." The troops formed a wide semi-circle around the officers, who were conferring over the body. "This," Obando recalled the lieutenant as saying, "is nothing other than the leader of the *guerrilleros*." Someone produced a machete; they would be taking their trophy back to Waslala with them. The head of Carlos Fonseca was not easily severed. The lieutenant put it in a yellow sack and carried it with him all the way back, guarding it zealously.

The *Sandinistas* don't know what became of this lieutenant, whose name, according to Obando, was Stilson. Other GNs captured from the *cuartel* at Waslala say that this was not his name. As for Obando, he says he plans to stay in prison as long as possible, "because I am afraid someone will kill me.... Besides, there's food here and it's *tranquilo*."

The *Sandinistas'* simple epitaph for Fonseca: "All of Nicaragua is his tomb."

The *Comando* of Granada

Granada is a major Nicaraguan city, and although it was not of strategic importance during the war, being relatively isolated at the edge of the Lago de Nicaragua, it was the site of a fairly large GN *comando*, or base. And it was a particularly cruel one.

On December 16, 1980, José Raúl Chávez's halting narrative revolted the *Primer Tribunal* with its picture of the

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depravity that existed at the *comando*, where he had served as a guard. There was the familiar hole in the patio, a deep one, where the bodies were thrown after being tortured by the *comando*'s four middle-aged torturers. At night, as José Raûl patrolled the compound, his .38 strapped to his waist, the four would begin their task of taking the prisoners into a tiny room for their interrogations. No cattle prods or gimmicks: the torturing was by bare-fisted blows to the stomach. Sometimes the torturers would emerge for a few minutes rest. Once in a while the prisoners would die in the little room; other times their tormentors would drag them out, their stomachs swollen from the blows, and throw them into the dungeons, where many expired before morning. If their relatives could not be located the following day to take them away, the dead would be taken at midnight to an isolated spot to be buried. Once in a while a passerby would observe the soldiers at their sinister job, and the news would run through Granada the next day: "The other night another stranger died."

As the rebel forces grew, continued José Raûl, the *Guardias* became afraid to go on these midnight burial expeditions; that was when the hole was opened up in the patio, into which the dead and half-dead were lowered by a rope around their necks. And as the war continued to spread, many more women began to be taken prisoner, as well as their children. The children, one hundred of them, were placed in a separate compound, from which many escaped, cutting a hole in the fence. As tensions among the *Guardias* began to reach mutinous proportions, the feared "Gato" Colindres (who every night tirelessly brought in 15 or 20 prisoners as well as helped with their torturing and burying—and whose jeep the people of Granada had learned to run from as they saw it coming down the streets at night with its single good headlight) warned them: "He who deserts I will find and bring back and feed to the hole."

On July 19, 1979, *Sandinista* guerrilla troops descended on Granada and the nightmare ended.

Colonel Parajón

"Hypocrites," the portly, greying Colonel Armando Parajõn Juãrez raged at the members of the Sixth Special Tribunal,

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"take the roofbeams out of your eyes before you go looking for the splinters in the eyes of others."

Colonel Parajón, someone later remarked, was possessed of the same irrationality as his superior, the late General Somoza (who in the midst of the civil war amazed the world with his calls to the tourist bureau asking why tourism had dropped off so much that year and his insistence to the press that everything in Nicaragua was "normal").

Colonel Parajón was angry: the FSLN had made a deal with him, he said, and gone back on its word. It was the day of the *Sandinista* victory—July 19, 1979. He and a few other diehards, refusing to admit that all was lost, were holed up in the GN *comando* in Jinotega, one of the cities hardest hit by the war. A dialogue was opened up between the hangers-on and the surrounding rebel forces. An agreement was reached, said the Colonel: the rebels would allow them to seek refuge in the church and then escort them out of the country, to Honduras. "Although they [the *Sandinistas*] were many more in number, we had better weapons. [A fight] could have produced much death on both sides. . . . And by not resisting, we respected thousands of civilian lives in Jinotega."

He claimed to have "never participated in any warlike activity," but later admitted that he had belonged to an "armored battalion" and a "combat battalion." The GN, he emphasized, was "a formally created institution set up to maintain law and order," and therefore none of its activities could be considered criminal. The war began, he said, when the "invaders" arrived: Cubans, Mexicans, Panamanians, Colombians. Despite the fact that he saw nothing wrong with the *Guardia*, he asked the court that he be tried as "a person" and not as an ex-GN. However, as a member of the *Guardia* for thirty years, and since he had repeatedly and proudly told the court, "I am a soldier of caste, I have the military in my blood," the court was hard-pressed to make a distinction between his "soldier-person" and his "other-person."

Parajón flatly denied that he had ever been *comandante* of Jinotega; it is common knowledge that the *comandantes* of the various GN headquarters were the overseers of the torturing and killing that went on within their walls. Parajón was

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also accused of burning peasants off their lands. Referring to the supposed deal with the FSLN, one of the *miembros* said: "He is not the kind of man we would like to see free in Honduras," alluding to the sometimes daily raids ex-GNs make these days from Honduras into Nicaragua, terrorizing peasants and killing *Sandinista* militiamen. The court found Parajón guilty of enough crimes to give him the maximum sentence.

Teenage Spy

Her case is being appealed, but Gladys Monge will probably be spending a few years in Granada's Ruth Rodríguez Prison. Her story illustrates the ironies of the civil war.

She joined the GN in April of 1979 at the age of 19, at a time when Nicaragua's economy was reeling from the effects of the war. Her husband had, for all practical purposes, abandoned her and her child and, she said, she joined out of economic necessity. (To most Nicaraguans, however, this is not a powerful argument, for many a guerrilla left his or her small children in the care of friends or family; and, as further testimony revealed, she did indeed leave her child to relatives, not to join the rebels but rather to join the *somocistas*.)

At the Managua EEBI training school she was given weapons training and was placed as guard of the EEBI medical dispensary. In early July, as the war was beginning to turn in favor of the rebels, her aunt begged her to turn herself in to the *Sandinistas*, but she adamantly refused, saying "The people would never forgive me for having joined the EEBI."

The *fiscal*, however, traced her counterrevolutionary activity to many months preceding her actual signing up with the EEBI, insisting that she, along with an agent of the OSN and certain paramilitary elements, served as informants of FSLN activities in León, her hometown; and that it was this, along with her acquaintanceship with the secretary of Somoza's Minister of Foreign Relations, which made her a trustworthy candidate for the EEBI training school.

Ironically, she was not captured until August 1980; in this first year of the new regime she had managed to land jobs in the *Sandinista comando* in León and later in the *Sandinista* police headquarters in Chinandega. How? This time her re-

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commendations came from a very different source: an uncle who had been a *Sandinista* guerrilla.

The Men's Prison

The big jail in Tipitapa, a town on the edge of the dead (polluted to death) Lake Managua, was in Somoza's time called the *Cárcel Modelo* and was home, at various times, for many an FSLN member and sympathizer. (Tomás Borge, a leader in the new government, recalls an eight-month period there during which time he was kept chained, with a black hood tied around his head.) It's now called the Jorge Navarro Rehabilitation Center and houses over two thousand ex-*somocistas*, who spend their days working in any of the various large workshops devoted to woodworking (desks, blackboards, chairs, cribs, etc., are made for schools and hospitals), tailoring (uniforms are made for the *Frente*, the *Ejército Popular Sandinista*, and the *Milicias Populares*), and so forth; or the prisoners read, or work in the kitchen, or do nothing.

On any given Saturday, one enters the huge patio of the prison (if you're male, you make sure to get your arm stamped—you have to show the stamp in order to leave, and if you don't have one you could have a long, long wait) to find around six hundred prisoners sitting about with up to six visitors each. Sometimes a band has come, and there is dancing. Visitors are allowed to bring in food, except for canned goods, which on occasion have been found to contain weapons. Still, since the level of violence is not nearly that of most U.S. prisons, there is a good deal more laxity in prison procedure.

To the battered lower classes of Nicaragua, the *somocistas* are all *bestias* (beasts), and some resent the fair treatment the prisoners are getting in the jails. Most people, however, agree with what one *Sandinista* militiaman said: "Our sweetest revenge is no revenge. There will be no *paredón* (firing squad) here." What angers most now, more than the memories of past events, is the unfair treatment they think the *Sandinistas* are getting from a segment of the bourgeoisie. Thus, when a certain José Esteban González came back from the Vatican in February after having given the Pope a false picture of prison conditions in Nicaragua, he (and a handful of affluent-looking

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supporters) were confronted by a pro-*Sandinista* crowd of several hundred who felt that that was a part of an ongoing overall effort—sometimes violent—to overthrow *sandinismo* and set up a bourgeois government, which the *Sandinistas* term "*somocismo* without Somoza."

One prisoner, a former GN *raso*, his shirt off because of the heat, looked over the prison crowd and their families in the patio and said, thoughtfully: "Each of these men had his reasons—or weakness—for doing what he did. Some truly are animals. They didn't treat the *Sandinistas* the way the *Sandinistas* are treating them, that's for sure. But the fat cats, you know, those who escaped to Miami and Honduras, they're the worst. Who knows what they might try next."

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THE RISE AND FALL OF A PEOPLE'S MOVEMENT

By David C. Ranney

Jackson, Mississippi: An American Chronicle of Struggle and Schism, by John R. Salter Jr., foreword by Ed King. New York: Exposition Press, 1979. 248 pp., $10.00.

There are many important lessons to be learned from the 1960s and early 1970s. But a particularly important one is this: there is nothing that threatens the established order and frightens its chieftains more than when black, brown, or red peoples band together as a movement—a truly grass-roots movement.

John R. Salter Jr.'s *Jackson, Mississippi: An American Chronicle of Struggle and Schism* is an insider's account of one such movement. The theme of Salter's account is twofold. First, he explains how a mass movement of black people struggling for equality can grow and flourish—even within the confines of the police-state that was Jackson, Mississippi, in 1961. The other theme is how the twin tactics of terror and "kindness" are used to stop such a movement.

Salter is particularly well suited to write this account of a very important civil-rights struggle. A half-blood Micmac/Penobscot Indian, Salter has for the past 25 years been deeply involved in grass-roots community organizing in both human-rights activities and Indian projects. In October 1961, Salter was teaching at Tougaloo Southern Christian College, a predominantly black institution located a few miles north of Jackson, Mississippi. It wasn't long after his arrival on the Tougaloo campus that he found himself in the heat of the civil-rights struggle that was sweeping across the South. As

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Salter puts it: "Simply to be at Tougaloo was 'involvement' in large measure since the power structure of Mississippi was inclined quite negatively toward the college."

But Salter did much more than simply "be there." His commitment was recognized by some of Tougaloo's activist students who asked him to be adviser to the Jackson NAACP Youth Council. Eventually he served on the board of directors of the Mississippi chapter of the NAACP. As civil-rights activity grew in Jackson into what was to be called the "Jackson Movement," Salter became a member of the movement's strategy committee and a close adviser to Mississippi's NAACP field director, Medgar Evers. In the course of the ensuing struggle, Medgar Evers was assassinated. Salter himself was beaten and arrested several times, and at least two overt attempts were made to kill him.

Salter lets the story unfold for the reader in a distinctively low-keyed and insightful way. He lets us in on his thoughts and feelings concerning the hopeful/terrible events exploding around him. And he gives us some truly first hand knowledge of what it was like to be a civil-rights activist in Mississippi during 1962-63.

In many ways *Jackson, Mississippi* offers us hope through its demonstration of the ever present potential of a blossoming of a movement of oppressed peoples. Nothing could be quite as dismal as the picture Salter paints of Jackson in the fall of 1961. "Mississippi," he says, "was functioning in the purest and most cold-blooded sense of the word as a garrison state that viewed itself not only as being prepared for war, but as already fighting a war."

Salter describes in grim detail what this meant in terms of day-to-day living. Organized resistance, despite the courage of the Freedom Riders, was nil. Only a handful of students who made up the NAACP Youth Council were active—the entire city (and state for that matter) was gripped in fear. Yet less than two years later over 5,000 people marched spontaneously on downtown Jackson shouting for justice for the killer of Medgar Evers and chanting the word FREEDOM so loudly as to become a deafening roar.

The massive outpouring of militancy at Medgar Evers' funeral was in part a measure of painstaking grass-roots organizing in which Evers played a critical role. The years of organizing initiated by Evers, Salter, and many others had brought a new sense of confidence and collective power to the black population of Jackson. Salter

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describes this effort step-by-step including the initiation of a black boycott of white Jackson business, picketing, lunch counter sit-ins, mass marches, and the resulting mass arrests.

The response of black Mississippians to Evers' assassination demonstrated to one and all that a people's movement was well under way, and that it had the potential of turning white supremacist Mississippi society inside out. The tragedy of Salter's story is not so much that the Jackson Movement was eventually crushed, but rather how it was crushed. And in that tragedy lies the most important lesson of the book.

The movement of the black people in Jackson in 1963 had reached a point where it threatened to spill over the boundaries of control established by U.S. institutions. Blacks were well on their way to seeing themselves as a people—transcending any particular format embedded in U.S. law or custom. And this fact, along with the growth of similar consciousness throughout the United States, threatened the very political and economic structure of U.S. society. So the movement had to be crushed (just as later the Republic of New Afrika, the Black Panther Party, the American Indian Movement, and the prison movement associated with George Jackson had to be crushed). Evers' assassination was a beginning, but it wasn't enough. Terror alone could not do the job. The answer found was even more chilling—it was a combination of police state terrorism and co-optive reforms.

Terrorists could perform the required executions. Police forces could occupy and flood the black community with drugs. And they did these things throughout the country. Some of the counter-insurgency tactics described by Salter were undoubtedly either the predecessors or the actual manifestations of the infamous FBI program known as "Cointelpro."

But the other side of the same coin involved "killing the people with kindness"—with co-optive reforms. Reformism assumes that justice can best be achieved within the bounds of the capitalist system. Preservation of the system thus has priority over the initiatives of the people—particularly when those initiatives become a threat to the social order. Capitalism is inherently unequal, and inequality based on race has always been a major aspect of the development and maintenance of capitalism in the United States. The demand for equality which emerged in Jackson threatened the system. Therefore, something less had to be offered: the initiatives of the people had to

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be brought into line with the "higher" objective of preserving the system. In the case of Jackson, the Justice Department and the President in Washington, the national NAACP, and the white power structure in Jackson moved together to control the movement and crush its mass character. Salter details these developments in his book.

The role played by this unholy alliance in crushing the Jackson movement could well have served as a warning for what was to come. It is a documented fact that Cointelpro flourished during the 1960s and early 1970s. But reformism also played an important role in crushing grass-roots initiatives during that same period. The rebellion of the 1960s and early 1970s was smothered in government programs. The so-called poverty legislation did little else but give rise to a sub-class of "poverty pimps" whose function it was to destroy people's initiatives toward more fundamental change. Money was funneled to "leaders" to develop "constructive programs." In fact, most of the programs have turned into petty bureaucratic fiefdoms that serve to perpetuate their bureaucracies rather than aid their communities.

With peoples' movements safely mired in the swamp, the more resistant leaders dead, and the people numbed with drugs and alcohol, the country is once again "safe." Salter's story suggests a path out of the swamp. Ed King compliments Salter as a good organizer, and his introduction to *Jackson, Mississippi* lists those characteristics which he believes are crucial to that quality. Among them are: trust in the people; willingness to listen; and the conviction that power to, of, by, for, and with the people is the watchword in building a free society.

The left today would do well to consider this path very carefully and contrast it to the path many leftists seem to be taking. Formalistic theory and practice that co-opts peoples' struggles bear a remarkable similarity to the approach of the U.S. Justice Department and the national NAACP which was used to crush the Jackson Movement. Doctrinaire ideologues and petty bureaucrats in the left today are no less dangerous than the forces that crushed the Jackson Movement because they coat their words with a "Marxist" skin. To me, Salter's important story should tell us to beware of these tactics—whether cloaked in reformist or "revolutionary" robes. The potential of peoples' movements is always with us. But the forces of that potential can be diminished and corrupted by those who would choke off its development with pre-conceived formulas.

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In addition to increased financial support, we need more MR subscribers. We have therefore recently undertaken a mail solicitation campaign for this purpose. But we believe that what is especially needed to expand circulation would be the active involvement of MR readers as sub getters. We have been exploring ways to engage your participation. Meanwhile, any ideas and suggestions you have on boosting circulation would be greatly appreciated.

While we're on the subject, we would like to bring to your attention the value of library subscriptions: they broaden readership and provide a stable source of income. At present over 1,000 libraries receive MR regularly. But that number could grow substantially if readers would persuade libraries they use to become subscribers. If your library is already one, bring the acquisition librarian's attention to the forthcoming *Index to Monthly Review* which is a useful guide to the entire contents of MR from the first issue in May 1949 to that of April 1981.

The escalation of U.S. intervention in El Salvador makes ever more urgent the mobilization of counterpressure by the people of the United States. The spearhead of the movement against all forms of U.S. intervention is the Committee in Solidarity with the People of El Salvador (CISPES) which has forged a broad-based solidarity movement supported by more than 300 affiliated chapters across the country. The next major mobilization of protest against the U.S. government's policies is to be a national demonstration in Washington, D.C. on March 27. CISPES has issued a call for organizational assistance and funds to help make the Washington demonstration and similar future activities more effective. Checks should be made payable to CISPES, P.O. Box 12056, Washington, D.C. 20005 (Telephone: 202-887-5019). Those in the New York area wishing to help can reach CISPES at 19 West 21 St., New York, N.Y. 10010 (Telephone: 212-242-1040).

The Senate has currently under consideration an extradition treaty with the Republic of the Philippines. What must be understood is that the Marcos regime wields unchecked power to manipulate the courts, fabricate charges and evidence, and act as prosecutor, judge, and jury against Filipinos critical of its brutal and corrupt policies. Therefore the proposed extradition treaty can easily become a tool by which Filipino opponents of the current dictatorship residing in the United States could be delivered to Marcos. Readers are urged to write or call their Senators and members of the Senate Foreign Relations Committee with a personal message urging rejection of the proposed extradition treaty. Further information on this matter can be obtained from the Alliance for Philippine Concerns, Box No. 70, Maryland Ave., N.E., Washington, D.C. 20022 (Telephone: 202-543-1093).

We have been asked to make the following announcements:

(1) The Center for Iranian Research and Analysis is sponsoring a conference on "Iran: Revolution, Social Classes, and Imperialism" on April 3 and 4 at the American University in Washington, D.C. For program information write to the Center for Iranian Research and Analysis, c/o Val Moghadam, Department of Sociology, The American University, Washington, D.C. 20016.

(2) *Humanities in Society* is inviting papers for their Fall 1982 issue on the subject, "War, Militarism, and the Humanities." The questions to be examined are: Is the image of the warrior embedded in our culture? What role do the media play in fostering a climate of militarism? How does the climate of militarism affect our lives as individuals and humanists? How does this atmosphere affect the study of the humanities? Correspondence should be directed to Katherine S. Kovacs, *Humanities in Society*, 326 Taper Hall of Humanities, University of Southern California, University Park, Los Angeles, California 90007.

A reminder: As announced in the February issue, the basic subscription price of MR is going up from $15 to $18 a year. But there is still time to renew at the old rate if you renew your subscription before May 1, 1982.

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